

PEOPLE

Barbara Walters
Chief of Television

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WEATHER DATA APPEAR ON PAGE 2

Raids Seen As Blow to U.S. Policy

Unrest Spills Over Southern African Borders

By Glenn Frankel

Washington Post Service

HARARE, Zimbabwe — South Africa's guerrilla bases in Botswana have dealt another blow to the Reagan administration's already weakened regional policy of "constructive engagement."

The raid Friday, which left at least 16 persons dead, capped weeks of increasing violence in the region, including new attacks in Mozambique, Angola and South Africa itself. It also illustrated how escalating violence inside South Africa can spill over its borders to endanger even the most stable of the country's black neighbors.

During the recent escalation of congressional criticism and anti-apartheid demonstrations in the United States, Reagan administration officials have argued that their policy has succeeded in measurably lowering the level of violence in southern Africa.

"The southern Africa region now has less violence than at any time in the past 10 years," one senior U.S. diplomat said earlier this year, a statement echoed repeatedly by State Department officials. They contend that the U.S. policy of seeking warmer ties with all countries in the region, including South Africa, has played a role.

But recent events, including the raid, have undermined this argument and been used by critics who contend that constructive engagement has given South Africa a free hand in threatening its neighbors.

Last month, Angolan forces killed two South African commandos and captured a third inside Angola just weeks after Pretoria announced that all of its troops had withdrawn from that country.

South Africa said that the commandos had been gathering intelligence against anti-South African guerrillas operating from Angolan territory, but Luanda presented evidence indicating that the commandos were planning to sabotage oil installations jointly owned by Angola and Gulf Oil Corp.

Last week, Angola's Marxist government accused South Africa of preparing for a new invasion of its territory. A government communiqué said that South Africa has massed four motorized brigades and 15 battalions totaling 20,000 men along the border between Angola and South-West Africa (Namibia), supported by 90 fighter planes and helicopters. The Pretoria government has not commented on the report.

In Mozambique, escalating violence between the Marxist government and guerrillas of the Mozambique National Resistance Movement has caused more than 100 deaths in the last two months according to news reports. In an emergency summit in Harare last Wednesday, President Samora Machel requested new military assistance from the region.

(Continued on Page 3, Col. 1)



Armed hijackers of the TWA Boeing 727 at the jet's rear stairs in Algiers, above, before it flew to Beirut on Sunday for the third time in 48 hours. At Beirut airport, top left, an official of the Amal militia, in turban, joins in negotiations with the hijackers from the control tower. A freed passenger, lower left, embraces a woman relative in Athens.

Hijacked Plane Lands for Third Time in Beirut; Passenger Slain

public mandate to negotiate. The hijackers agreed, the airport sources said.

Airport security officials said that the French ambassador, Christian Graff, had said he was ready to negotiate but that the Spanish ambassador, Pedro Manuel Aristegui, and the British envoy, David Miers, first wanted to contact their governments.

President Ronald Reagan re-

(Continued on Page 2, Col. 3)

Greece Bows To Demands Of Hijackers

New York Times Service

ATHENS — The Greek government gave in to the demands of the hijackers of a Trans World Airlines jetliner by freeing one of the hijackers' associates in exchange for the release of 53 passengers, including eight Greek citizens.

The TWA Boeing 727 was hijacked Friday after taking off from Athens and has since made two stops in Algiers and three in Beirut, where more than 40 persons were still being held hostage Sunday.

The government said that the 53 passengers were released Saturday by the hijackers in Algiers after the hijackers' accomplice had been flown to Algiers in the company of Foreign Ministry officials. One of the Greek passengers was said to be Demis Roussos, a popular singer.

The associate of the hijackers was identified as Ali Atwa, a 21-year-old Lebanese Shiite who was taken into custody Friday after he was left behind at the Athens airport because of lack of space on the Boeing 727.

In a separate statement, a government spokesman, Dimitrios Maroudas, said the other hijackers had managed to escape X-ray detection devices by concealing two small pistols and two hand grenades in fiberglass insulation material.

The Greek spokesman said the exchange was negotiated through the night after the hijackers threatened to start killing the Greek passengers.

Israelis Discuss Demands

The Israeli cabinet met in secrecy Sunday to discuss the hijackers' demand that Israel release Shiite Muslim prisoners. The Washington Post reported from Jerusalem.

A variety of sources said there had been no U.S. request to free the Shiite prisoners and that none was expected. The sources also said that should such a formal request be made by the Reagan administration, Israel would have little choice but to comply.

Although Israeli officials have said they intend to release all of the Shiite prisoners soon, they were clearly reluctant to contemplate freeing the prisoners under the threats of the hijackers.

U.S.-Israeli contacts on the hijack incident began Saturday and were largely conducted by Defense Minister Yitzhak Rabin and Robert Flaten, the charge d'affaires at the U.S. Embassy in Tel Aviv.

Mr. Rabin reported on the situation during Sunday's weekly cabinet meeting.

The cabinet convened itself as a "ministerial defense committee," a forum in which secrecy is required by law. This was reinforced by Prime Minister Shimon Peres, who formally requested that there be "no public comment by government ministers or representatives on this subject."

New Argentine Currency Meets Mixed Reactions

By Lydia Chavez

New York Times Service

BUENOS AIRES — Argentines have been forced to begin thinking in australs, their new currency, and their reaction has been one of outrage, hope and bemused resignation.

The new currency, replacing the peso, took effect on Saturday. Gone, the government has said, are the days of indexing the economy to keep pace with a 1,010-percent inflation rate. Salaries will be frozen as of July 1, and prices are locked in at those set last Thursday.

The government, accustomed to printing money to cover its costs, pledged to keep the new austral at a fixed exchange rate equal to \$1.25. The official exchange rate for 1,000 pesos has been about \$1.28.

"It is the week of australization that could be the beginning of a new era in Argentina," one radio newsmen proclaimed.

Even the name chosen for the new currency evoked pioneers and uncharted territory. Austral, which means southern, refers not only to Argentina's location but to its southernmost region, Patagonia, where Argentines have struggled

Experts Say Letters Were By Mengele

By Ralph Blumenthal

New York Times Service

SAO PAULO — Two American handwriting experts say that they have positively identified letters found in Brazil as having been written by Josef Mengele, the fugitive Nazi war criminal.

The finding is the first scientific evidence to back up testimony that the former Auschwitz death camp doctor lived in and around São Paulo from 1961 until 1979, when friends say he drowned.

The results of four days of handwriting analysis were announced Friday by the federal police chief in São Paulo, Romeno Tuma; David A. Crown, of Fairfax, Virginia, former chief of the Central Intelligence Agency laboratory; and Gordon Epstein, an analyst at the Forensic Document Laboratory at the U.S. Immigration and Naturalization Service in McLean, Virginia.

"We made a thorough examination and are definitely convinced

(Continued on Page 2, Col. 2)

The plan reverses President Raúl Alfonsín's earlier view that Argentina could painlessly recover from its economic decline.

with the elements to make a home.

"It is a profound reform of our economic system with the objective of reconstructing and modernizing Argentina," President Raúl Alfonsín said on television Friday. The plan represents a reversal of his former view that the country could painlessly recover from its economic decline.

The government began a broad-cast campaign Saturday to explain the details and urge compliance. If the psychology of inflation, is not broken, it argued, shopkeepers would raise their prices despite the government's ban and unions would be able to win support for crippling strikes.

"Public confidence is everything," an economist said. Angling for support Friday, Mr. Alfonsín seemed aware of the importance of breaking the psychology of inflation and the everyman

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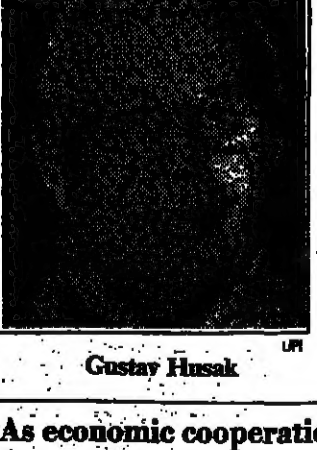
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(Continued on Page 2, Col. 2)

East Bloc Tug-of-War: Desire for Autonomy vs. Need for Moscow's Aid



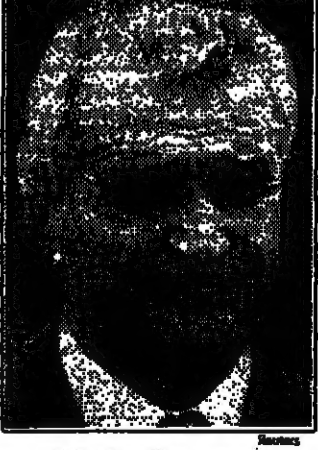
Erich Honecker



Gustav Husak



Wojciech Jaruzelski



Nicolae Ceausescu



Todor Zhivkov



Mikhail S. Gorbachev



Janos Kadar



Janos Kadar

By Bradley Graham

Washington Post Service

WARSAW — Two powerful and opposing forces are tugging at Moscow's allies in Eastern Europe with growing intensity.

Although most of the Warsaw Pact nations are continuing to strive for greater autonomy from the Soviet Union in their national affairs, they are falling into deepened dependency on the Kremlin because of economic slowdowns and breakdowns in the region.

How to manage these two trends, which may make political cooperation within the bloc more difficult as economic cooperation becomes more necessary, is one of the major challenges confronting the new Soviet leader, Mikhail S. Gorbachev.

The air of uncertainty and paralysis that surrounded Kremlin rule during the drawn-out final years of President Leonid I. Brezhnev and the abbreviated terms of Yuri V. Andropov and Konstantin U. Chernenko had its benefits for the Soviet satellites. East European leaders took advantage of the period to promote national interests and ambitions.

East Germany flirled more vigorously with West Germany. Hungary launched another wave of economic reforms. Romania continued to draw attention to its foreign policy differences with Moscow. These moves highlighted the continuing struggle of Soviet client states to assert greater authority and more individual foreign and economic views based on national considerations.

That Mr. Gorbachev might try to

reimpose a Stalinist type of uniformity on the bloc is dismissed by East Europeans and Western specialists alike as something that he would neither contemplate nor be capable of achieving.

But undercutting the East European nations' hope of attaining wider independence of Moscow is the failure of its economies.

The strategy of the 1970s, based on an opening to the West and the belief that Western credits and imported technology could revitalize the region's economies, avoiding the need for structural reforms, proved disastrous. So far, the 1980s have yielded no bold alternative strategies for the Eastern bloc's long-term recovery.

Meanwhile, Moscow, beset by its own economic difficulties, is hardening trade and investment demands on its allies. It is insisting on better-quality East European goods in return for the oil and natural gas it supplies the bloc. It is also seeking greater East European participation in the development of Siberian energy reserves.

The expected effect of these requests will be to pull bloc members into tighter orbit around Moscow.

"In the 1970s the East Europeans looked as if they had credit and trade alternatives, which don't look so feasible any more, and they are falling back on the Soviets," said a

Western ambassador with long experience in Soviet bloc affairs. "The other side of the picture is that national questions are becoming stronger. So while cooperation at the economic level becomes more necessary, cooperation at the political level becomes more problematical."

Always a worry for the Communist elites is how their societies will accept the vanishing prospect of economic growth. Public support for socialism was won with promises that residents of the captive nations of Eastern Europe could at least look forward to more affluent lives.

Last month Eastern bloc governments marked the 40th anniversary of the end of World War II in Europe with boasts of socialism's achievements in rebuilding the nations of the region. There was much to look back on with pride. From the war's debris arose roads, homes and factories, and a mass migration took place from the depressed countryside to the cities, creating a new urban proletariat.

But the large majority of East Europeans have been born since 1945, and their reference points are the 1960s and 1970s, when the Soviet bloc was striving toward a consumer society. Measured against these benchmarks, the reality of the present, burdened by shortages of

In the Soviet Shadow

Autonomy vs. Dependency

First of three articles.

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Hungarian officials stress their determination to liberalize the country's economy. Page 7.

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BUSINESS/FINANCE

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■ The strong dollar is seen by many U.S. manufacturers as the main reason for idle capacity at their plants. Page 7.

21 Finnish UN Soldiers Are Set Free in Lebanon By Israeli-Backed Militia

By Thomas L. Friedman
New York Times Service

JERUSALEM — The Israeli-backed South Lebanon Army militia has freed 21 Finnish soldiers of a United Nations unit after holding them hostage for eight days.

The Finns, who had been held in a small house next to the militia's headquarters in the south Lebanese village of Marjayoun, were driven away Saturday morning in a bus belonging to the United Nations, according to Israeli radio reports from the scene. Marjayoun is about five miles (eight kilometers) north of the Israeli border.

The Finnish soldiers, members of the UN Interim Force in Lebanon, declined to comment as they left the house in single file and boarded the bus.

"Goodbye and good luck," the commander of the South Lebanon Army, General Antoine Lahad, reportedly told the Finns, shaking their hands as they left.

They had been sleeping on cots and had been crowded into three rooms but had been kept under light guard and allowed beer and mail.

"They are in good condition, only bored," the chief of staff of the UN force, Colonel Karl Korttila, said in Marjayoun.

General Lahad agreed Friday to release his captives after a representative of the International Committee of the Red Cross convinced him that 11 South Lebanon Army militiamen whom the Finns turned over to the Shiite Muslim militia Amal on June 7 had defected — as the UN soldiers had contended — and had not been forced to leave their own militia.

The Red Cross representative had interviewed the 11 militiamen in Amal's custody, all of whom are Shiites, and had delivered to General Lahad written statements by the men that they did not want to return to his force. General Lahad is a Christian, as are most members of the South Lebanon Army.

The Israeli radio quoted General Lahad as saying after the Finns had been released that he still could not believe that the 11 men had left his militia of their own free will.

Senior Israeli military officials continued to insist that the Finns had not behaved in a neutral fashion, but they had not shown any hard evidence to support the contention.

In general, however, Israeli officials appeared happy that the affair had been resolved. Because of the incident caused them embarrassment internationally and soured their relations with Finland and other Scandinavian countries.

Israel's relations with the South Lebanon Army are ambiguous. The force was created by the Israeli Army and is armed, trained and funded by it. On Saturday, the Israeli Army brought reporters based in Israel to Marjayoun to witness the release. Israeli military officials said privately that if they wanted to they could order General Lahad to do whatever they demanded.

But they added that if they did that, General Lahad probably would refuse to act any longer as Israel's proxy in southern Lebanon. Before he decided to release the Finns, the general had threatened to resign as head of the militia if Israel forced him to free them.

Because the Israelis believe they need the South Lebanon Army to take the burden of patrolling the border area off their own troops, General Lahad has a good deal of leverage.

After withdrawing most of its troops, Israel continues to maintain several hundred soldiers in a security zone in southern Lebanon, the zone just north of the Israeli border, is five to nine miles wide.

Israel and the South Lebanon Army had hoped that, as a result of the capture of the Finns, the 5,900-member UN force would agree to establish de facto relations and lines of communication with the militia. But there was no indication that such an arrangement was part of the deal to release the Finns or that it could be expected.

The UN force has informal contacts with Amal, whose leader, Nabih Berri, is minister for southern Lebanon in the Lebanese cabinet.

The United Nations has been conducting an inquiry into how and why the Finns transferred the 11 militiamen to Amal. Timor Golsed, a spokesman for the UN force, said that the results would be made public soon.



The commander of the South Lebanon Army, Antoine Lahad, left, says goodbye to one of the 21 Finnish soldiers.

Hijackers Land Third Time in Beirut

(Continued from Page 1)

turned Sunday to Washington from his residence in Camp David in Maryland and issued a warning to the hijackers.

"They themselves will see for their own sake, they'd better turn these people loose," Mr. Reagan said. "There have been instances when hijackers have found that action is taken that resulted in their death or capture."

He refused to say if the United States was contemplating action against the hijackers.

There were unconfirmed reports that units of the U.S. Delta Commando Force, elite anti-terrorist troops, left their base at Fort Bragg, North Carolina, on Saturday for the Mediterranean region.

The U.S. Secretary of Defense, Caspar W. Weinberger, would not confirm the reports, noting that the

group has always operated in secret.

Mr. Reagan said that the U.S. government had been in contact with the governments of Lebanon, Syria and Israel over the hijacking.

The aircraft was seized Friday by two gunmen as it was en route from Athens to Rome. Since then, its pilot has been forced to fly three times to Beirut and twice to Algiers. During the first stop in Beirut, several other armed men boarded it.

In Paris, a TWA spokesman said that the hijacked plane was nearing its mechanical limits.

"The plane reaches its physical limit after a certain amount of time," said Stephen Hecksher, the airline's international communications director. "These planes are serviced as regularly as possible when they are on the ground."

U.S., Hijackers Turn To Algeria as Mediator

Diplomatic Role in Iran Hostage Crisis, Third World Stance Create Confidence

By David B. Ottaway
Washington Post Service

WASHINGTON — The United States and the Shiite extremists who hijacked a Trans World Airlines plane Friday both appear to have a great deal of faith in the government of Algeria.

The United States, which turned to Algeria in 1980 to mediate the release of U.S. hostages in Iran, once again has found itself heavily beholden to Algeria for a similar mission. This time, the incident reached Algerian soil.

Since being hijacked after taking off from Athens, the Boeing 727 has landed twice in Algiers. It was ordered back to Beirut for the third time Sunday.

U.S. officials put heavy diplomatic pressure on Algeria to allow the hijacked plane to land in Algiers because of their confidence, based on the Iranian hostage experience, in that government's diplomatic skills to deal with the crisis.

In addition, there was considerable concern in Washington that the hijackers might otherwise set down in Libya, whose leader, Colonel Moammar Qadhafi, is a sworn enemy of the United States.

The hijackers, upon landing a

second time in Algiers, issued a communique hailing Algeria as the only country that understood their cause and thanking Algeria's leader, Colonel Chadli Bendjedid.

"How we wish that the Arab countries would follow the example of Algeria for unity, for the defeat of world imperialism and the liberation of Palestine," they said.

In late 1980, it was the Islamic revolutionaries in Tehran holding 52 U.S. hostages who set the precedent of turning to Algeria as an acceptable intermediary with Washington. Algeria negotiated release of the hostages as well as a complicated accord on claims filed by Iran and the United States.

U.S. officials from Jimmy Carter, then the president, on down hailed the extraordinary negotiating skills and "creative mediation" of the Algerians.

In this incident, it is the hijackers' respect for Algeria's revolutionary past — an eight-year war for independence from France and the championing of numerous Third World causes — that apparently explains their decision to fly there in the first place and then to return again to Algiers.

Algeria recently has been drawing closer to the United States. Colonel Bendjedid's visit to Washington in April for talks with President Ronald Reagan was a milestone in the reorientation toward the West that the Algerian leader has been slowly undertaking since coming to power in 1979. The state visit was viewed as a big success by both sides, and it opened for the first time the possibility of U.S. arms sales to Algeria.

Having acceded to Washington's entreaties to allow the hijacked TWA plane to land at Algiers airport, reversing its initial decision not to become involved, the Algerian government found itself in the middle of an extremely delicate situation.

An Algerian diplomat in Washington described the negotiations held Saturday on the plane between two Algerian diplomats and the Shiite hijackers as "very tough."

He described the Islamic extremists as "very young, very suicidal and very tough" and stressed the use of psychology in dealing with them and "keeping them talking."

According to television and radio reports, the Algerians relied on the Koran and various religious arguments in their bid to persuade the hijackers to release the remaining passengers.

The Algerians avoided any coercion, such as shooting out the plane's tires, partly out of what was seen as concern for maintaining their good relations with both the Lebanese Shiites and Iran.

WORLD BRIEFS

U.S. Factory Death Is Ruled Murder

CHICAGO (UPI) — Two business executives and a foreman have been convicted of murder in a case stemming from the death of a man who inhaled cyanide fumes while working in a silver recovery plant.

Steven J. O'Neil, president of the now-defunct Film Recovery Systems Inc.; Charles Kirschbaum, the plant manager; and Daniel Rodriguez, the foreman, were convicted Friday in the death Feb. 10, 1983, of Stefan Golab, 61, a Polish immigrant employed at the plant.

The company recovered silver by bathing used photographic film in cyanide solutions. Mr. Golab worked over the chemical vats. During the trial, former employees testified that they suffered nausea, dizziness, burns and vomiting while working at the plant. Prosecutors contended that the firm deliberately hired illegal aliens and other foreigners with little command of English so they would not complain about hazardous conditions.

Ver Vows to Resume Post If Acquitted

MANILA (UPI) — General Fabian Ver said Sunday that he would resume his post as chief of staff of the Philippine armed forces as a matter of honor if he is acquitted at the trial for the murder of Benigno S. Aquino Jr. But the general, who is 65, said he would retire "at the proper time."

An acquittal seems likely after the court last Thursday threw out the main evidence that General Ver was part of a military plot against Mr. Aquino, the opposition leader, who was shot to death at Manila International Airport on Aug. 21, 1983. The evidence, based on General Ver's testimony to a civilian commission last year, was ruled to violate his right against self-incrimination.

Western diplomats have said that General Ver might return to his post for a month and then retire, but he said in an interview that "30 days would be too short a time." General Ver has been on leave since October when the commission named him 24 other soldiers and a civilian businessman as indictable for Mr. Aquino's murder.

Talks Set on European Fighter Plan

LONDON (Reuters) — West European defense ministers planned to meet Monday for talks that could decide the fate of a proposed European combat plane.

The European Fighter Aircraft was proposed in 1983, but negotiations have stalled in arguments over its size and role and over project leadership. British officials have said that the venture could collapse if progress is not made during the two days of talks.

Britain, France, Italy, Spain and West Germany agreed last month on weight and engine requirements for the plane. Monday's meeting was set to consider expert opinions on whether those specifications could satisfy all parties.

Afghan Rebel Blast Is Said to Kill 140

ISLAMABAD, Pakistan (Reuters) — About 140 people were killed this month when a rebel bomb explosion wrecked a building in Mazar-i-Sharif in northern Afghanistan, guerrilla sources reported Sunday.

They said the blast destroyed the top two stories of the three-story Haji Saleem Shah building and rescuers dug bodies out of the debris for up to four days after the blast June 5. They quoted witnesses as saying most of those killed were members of the ruling Communist Party who were using the building as a hostel. No independent confirmation of the report was immediately available.

Mazar-i-Sharif is the capital of Balkh province, which borders the Soviet Union. An estimated 115,000 Soviet troops are stationed in Afghanistan to help President Babrak Karmal's government fight the guerrillas.

2 in House Assail Billings for Copters

WASHINGTON (UPI) — Two Democratic congressmen said Sunday they planned to ask the House of Representatives to suspend payments to Hughes Helicopter Inc. because it could not justify millions of dollars in billings to the Defense Department.

Representative Bill Nichols of Alabama, who is chairman of the House Armed Services investigations subcommittee, and Samuel S. Stratton of New York, the procurement subcommittee chairman, said the company's records were "in a deplorable state" when subcommittee and Pentagon investigators examined billings for the years 1979-1983.

For the Record

Police in Italy began a nationwide anti-Mafia sweep on Saturday with the arrest of 26 people in Palermo, Milan and other cities, the authorities reported.

A gunman in Northern Ireland killed a part-time police officer early Sunday as he sat next to a woman in a car parked outside her home in Kiltree, 36 miles (58 kilometers) northwest of Belfast, the police said. (AP)

Aftermath in Liverpool: Where to Put Blame

By Jo Thomas
New York Times Service

LIVERPOOL — "You'll Never Walk Alone," says the wrought-iron motto over the gates of the Liverpool soccer club. After Brussels, that sense of shared euphoria has been replaced by other emotions: shock, chagrin and anger.

In the pubs and narrow brick houses of a city that has been brought to its knees by fleeing industries and unemployment, these new emotions are hard to bear. For a long time, Liverpudlians have been living on pride.

Their two soccer clubs, Liverpool and Everton, were both champions this year. Everton, the League Cup winner in England, played five matches on the Continent before winning the European Cup Winner's Cup. All went off uneventfully, including the final match in Rotterdam on May 15.

As the Liverpool fans set off for Brussels to see their team, the national champions, play the Italian champions, the Juventus team of Turin, for the European Cup on June 5, they took with them a 21-year record of good behavior. Then came the horror of the violence, seen by millions on television.

"Liverpool will be remembered for the fact that 38 people died," said Debbie Sallers, 22. "It cancels out 21 years." She and her husband were outside the stadium when the deaths occurred.

"What's annoyed me the most is they haven't even fined Juventus," she added. "It takes two to make a fight."

Many Liverpool fans in interviews blamed outsiders and agitators, the bad condition of the stadium, the failure to make sure fans had tickets, poor policing and crowd control, tardy rescue efforts and the Juventus fans. Now and then they blamed themselves.

The Liverpool Echo asked for letters from fans and had 120 replies. Some were published last week, including one from a supporter who confessed anonymously to fighting with the Italians. "Oh God, I'm sorry," he wrote.

As they try to make sense of what happened in Brussels, the citizens of Liverpool are trying to make amends. They have set up a Brussels Disaster Appeal fund, and city leaders and two fans who rescued badly injured Italians will visit Turin next week on a peace mission.

"I have lived next door to the football ground for 15 years," said Jean Cawley, who was sitting in The Albert pub with a group of friends. "I've never seen anything like that disgusting mess in Brussels. You get noise, people and mess, but never any trouble."

"It's the National Front," she said, referring to the white-supremacist group. "They're ignorant. They're bored out of their skull. That does not represent Liverpool. Everyone is disgusted. I had a bad background, but it didn't make me grow up evil."

Sean Herlihy, 27, an unemployed carpet cleaner having a pint of beer at the King Harry pub in Anfield, near the Liverpool stadium, said he went to Brussels with eight friends in a van.

"We had a lot to drink in the pub before the game," he said. "That's always part of it." They went to Brussels without tickets, he said, hoping to buy them at the match. But the fence had been knocked down, so they just walked in.

"We started getting punched and spat at by the Juventus fans," he said. "There was one lad about 14 years old, he must have lost his dad or something, and the Juventus fans started beating him up. Others went to help him, and all hell broke loose. If you see someone getting attacked, you help. What's happening now is scandalous. We're scapegoats."

John Neill, 17, who is out of school and unemployed, said, "I'd never go to a European Cup final again." He went to Brussels with a ticket and was frightened by the fighting.

Soccer, he said, is a big part of his life. "I'd like to have a job, anything," he said. "There's nothing to do here but just walk around. That's why I like going to a match. Whenever the season ends, I've got nothing to look forward to."

Frank Cassidy, a timekeeper at the Huskisson Docks, said: "When I came to the docks 35 years ago as a laborer, there were 27,000 dock laborers. That's down to 3,000. This is a country of two nations — north and south — and the north end has been ruined since Mrs. Thatcher took office. The people who have the capital will not invest in the north."

"Economically," he said, Liverpudlians "are battered. Physically, they retaliate."

Thousands Hear Nicaragua Cardinal Call for Peace

By Robert J. McCarney
Washington Post Service

MANAGUA — Nicaragua's newly elevated Roman Catholic cardinal, Miguel Obando y Bravo, has called for national reconciliation and peace at an open-air Mass attended by 30,000 people.

Cardinal Obando, the most prominent cleric inside Nicaragua of the country's government, generally steered clear of politics in a brief homily. But many people at the gathering appeared to consider it an anti-government rally.

The cardinal was returning home for the first time since his May 25 investiture in Rome. He flew to Managua from Miami.

He pledged Saturday to share his country's "happiness, its sufferings, its difficulties and its aspirations," and urged his listeners not to lose hope despite the civil war and a stumbling economy.

"Let us construct a peace, a true peace, where we Nicaraguans see each other as brothers," he said.

The head of the National Bishops Conference, Bishop Pablo Antonio Vega, made several veiled criticisms of the Sandinists in an address shortly before Cardinal

Obando's homily. Occasional shouts of "Down with communism!" were heard from the crowd, and some participants made anti-Sandinist comments to reporters.

Cardinal Obando is the first cardinal in Nicaragua's history. Church officials, diplomats and Nicaraguan opposition politicians say this new prestige will give him additional clout in criticizing the government on such issues as the

military draft and what the church views as the Sandinists' efforts to build a regimented society.

Church officials were disappointed in Saturday's turnout. But at least 100,000 people turned out Friday night to welcome Cardinal Obando back to Nicaragua.

The Mass on Saturday and the procession Friday from the airport were generally peaceful. But the

Interior Ministry reported Saturday that 11 policemen were injured during a confrontation at the airport with people awaiting the cardinal. Eight youths were detained.

Both the procession and the Mass were broadcast live on Catholic Radio and on radio stations in Costa Rica and Miami. Managua's morning newspapers, which are both pro-Sandinist, ran front page stories on the cardinal's return.

U.S. Experts Identify Letters as Mengele's

(Continued from Page 1)

beyond a shadow of doubt that they are written by Josef Mengele," said Mr. Crown, referring to documents found this month at the home of a couple who say they sheltered Dr. Mengele in the 1970s.

"We made independent examinations and then compared our results," Mr. Crown said. "We have no doubts. It's a definite identification. We're staking our reputations on it."

An analysis of the ink in the documents was made by Antonio A. Cantu of the Federal Bureau of Investigation, but his findings were withheld pending additional tests of ink samples in Washington.

The documents found in São Paulo were compared with forms Dr. Mengele completed while with the elite Nazi SS in 1938 and 1939. The doctor was charged with the murders of 400,000 people at the Auschwitz concentration camp in Poland during World War II.

Mr. Crown, Mr. Epstein and Mr. Tuma declined to specify the nature of the papers. They said this

would be disclosed in a report by the chief of São Paulo's federal police laboratory, Valmir Joaquim da Silva.

Mr. Tuma said that other experts were studying the results of fingerprint tests on objects said to have belonged to Dr. Mengele. He said some that prints that experts had hoped to connect to him proved to be unrelated.

The documents, Mr. Tuma said, left "no doubt about Josef Mengele's stay in São Paulo," adding, "So, we don't have any doubts that Josef Mengele came to São Paulo, that he was in São Paulo."

Mengele's Skeleton Examined
Forensic experts rebuilt the skeleton of a man believed to be Dr. Mengele and examined the skull and hair samples. United Press International reported Saturday from São Paulo.

"We have completed assembly of the skeleton and can now begin detailed studies aimed at identifying the man whose skeleton was examined," said Ramon Maubens, a member of the Brazilian team of forensic experts.

"Today we began an examination of hair found on the skull and we have already made some helpful observations," said Dr. Marcos de Almeida, a forensic pathologist who specializes in hair studies. He provided no details.

The Brazilian team already has made some positive identification on the remains, including matching the man's height and weight with Dr. Mengele's.

Dr. Wilmes Teixeira, head of Brazil's forensic pathology team, said that the approximate height of the man whose skeleton he examined was 1.75 meters. German war records show Mengele was 1.74 meters tall, or 5 feet 8½ inches.

He said that the Brazilian experts have that the remains were those of a white male about 65 to 70 years of age. Dr. Mengele would have been 68 in 1979.

The skeleton also showed "an abnormality in the pelvic bone," which could compare positively to a hip injury Dr. Mengele reportedly suffered in a motorcycle accident in 1943, Dr. Teixeira said.

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AMERICAN TOPICS

Rating the TV Appeal Of Modern Presidents

Jack Valenti, president of the Motion Picture Association of America and once a special assistant to President Lyndon B. Johnson, is considered an expert on public speaking. He says that Mr. Johnson was a great speaker in small groups, fantastic on the campaign trail,



Jack Valenti

but had on television. And, he says, if there had been television when Roosevelt was president, "FDR would have been elected king."

But the best of all on TV, Mr. Valenti says, is Ronald Reagan, who never loses eye contact, even when reading a speech. He rates John F. Kennedy a close second and gives Richard Nixon and Jimmy Carter low ratings for their television personalities.

Short Takes

Two thieves caught gleaming the Civil War battleground of Richmond, Virginia, for bullets, buttons, bayonets and the like have been sentenced to a year in jail. The National Park Service used to "seed" historic grounds with metal detectors, but modern devices penetrate this.

The U.S. Forest Service has been using napalm drops for years to set fire to scrub lands. Now it also is setting fire to standing timber in an effort to regenerate aging forests. The aim is to burn out dying, parasite-infested trees and litter on the forest floor, both of which are fire hazards.

The number of federal, state and local elected officials who are black reached 6,056 at the start of this year, according to the Joint Center for Political Studies, a Washington research group dealing with black issues. It said that despite the gains,

"blacks still hold only 1.2 percent of the 490,800 elective offices in the country." It added, "Black elected officials continue to be concentrated in black majority districts and generally depend on the black electorate for victory."

Tree-Huggers vs. Industrial Tourists

The dry, mountainous Colorado Plateau centered on southern Utah is "the least populated, most remote" portion of the contiguous 48 states, says Mike Scott, Washington lobbyist for the Wilderness Society. Environmentalists want the plateau declared a wilderness area, protected from permanent human presence or motorized incursion.

Calvin Black, chairman of the San Juan County Commissioners, replies, "We want development, within reason, that will open this land up to more visitors and to more of the kind of traditional energy development that makes jobs."

The fight goes on, with some mild name-calling. For environmentalists, visitors who travel in house trailers, motorcycles and boats, who buy gasoline, shop at supermarkets and stay at motels, are "industrial tourists." For the development-minded, hikers who carry their own tents and sleep on the ground are "wind-kissers" and "tree-huggers."

Notes About People

Back from the ultimate junkie, Senator Jake Garn, a Republican of Utah and the first lawmaker in space, told members of the Senate Commerce, Science and Transportation Committee's subcommittee on science, technology and space of the "absolutely incredible" and "absolutely limitless" future he senses for space. "We vestly underfund the space program," the senator testified.

Colonel Harry Summers Jr., whose book, "On Strategy: The Vietnam War in Context," criticized the policies that led to the fall of South Vietnam, is retiring from the U.S. Army, where he has been teaching military history at the Army War College, to become senior military correspondent for U.S. News & World Report magazine. Among his chief theses were that the U.S. government never mobilized public opinion and that the U.S. military went after the Viet Cong insurgents when it should have concentrated on the North Vietnamese Army.

—Compiled by ARTHUR HIGBEE

Space Shuttle to Conduct Test of Laser for SDI on Wednesday

By William J. Broad
New York Times Service

CAPE CANAVERAL, Florida — The countdown continued through the weekend for a week-long mission of the space shuttle Discovery that will include the first shuttle experiment to develop weapons for President Ronald Reagan's proposed shield against nuclear missiles.

The shuttle was scheduled to take off at 7:33 A.M. Monday with seven crew members, including a Frenchman and a Saudi prince. Plans call for the crew to release four satellites into orbit.

The missile defense test is scheduled for Wednesday, when a low-powered laser in Hawaii is to bounce its beam off a special mirror that will be mounted on a window of the Discovery. The goal is to see if computers on the ground can adjust the laser beam to counteract the distorting effects of the Earth's turbulent atmosphere.

Dr. George A. Keyworth 2d, the president's science adviser, has liked

such feats to "taking the twinkling out of a star."

The test is viewed by Pentagon officials as crucial to determining whether heavy, powerful lasers on the ground can be used to fire at enemy missiles in space.

Critics of the president's Strategic Defense Initiative, which is widely known as "star wars," have argued that some of its planned projects might violate the 1972 treaty that bans the construction of large-scale defenses and the testing of prototype anti-missile systems. But the laser test with the shuttle, which involves research, is seen by Reagan administration officials as well within the treaty's limits.

Removing the "twinkling" from a laser beam requires the use of a flexible mirror on the ground whose shape can rapidly be changed by computers. The atmospheric turbulence is measured and then the mirror is flexed to try to compensate for distortions in the laser beam.

But critics say that such a technique would draw an enormous amount of electric power and could be severely hampered by poor weather.

The small laser for the shuttle test is at the U.S. Air Force Maui Optical Station on the Hawaiian island of Maui. The success or failure of the test will be announced, Pentagon officials said, but details will be kept secret.

The laser experiment is viewed by critics as a new stage in the militarization of the shuttle program. On previous missions, the Defense Department has played a role in performing pure science experiments or launching satellites. But this mission apparently is the first in which the shuttle is to be used directly in the development of arms.

Discovery's mission also includes the launching of three communications satellites. They are owned by Mexico, American Telephone & Telegraph Co. and Arab

Satellite Communications Organization, or Arabsat.

The fourth satellite, which is to be returned to the cargo bay after two days in space, is for experiments in X-ray astronomy. One of its goals is to scan the core of the Milky Way galaxy for evidence of black holes, stars theorized to be so dense that even light cannot escape their gravitational grip.

The commander of the mission is Captain Daniel C. Brandenstein and the pilot is Commander John O. Creighton, both of the U.S. Navy. The other crew members are Colonel John M. Fabian and Lieutenant Colonel Steven R. Nagel of the U.S. Air Force; Dr. Shannon W. Lucid, a mission specialist; Pat-

rick Baudry, a French astronaut; and the first Arab astronaut, Prince Sultan Salman al-Saud, a nephew of King Fahd of Saudi Arabia.

The mission occurs during Ramadan, the holiest month of the Moslem year. The prince said that he would observe the holy period with prayers three times a day.

[NASA security agents used water cannon Saturday to blast apart a suspicious package for Prince Sultan, only to find they had soaked a calculator and a manual intended to help the prince locate Mecca from space. The Associated Press reported from Cape Canaveral. The unsolicited gift came from an unidentified Californian.]

The shuttle is scheduled to return June 24 for a landing at Edwards Air Force Base in California.

turn June 24 for a landing at Edwards Air Force Base in California.

■ Publications Praise Flight
Publications in Mexico and Saudi Arabia have written enthusiastically about Monday's flight. The Associated Press reported from Cape Canaveral.

"Allah willing, the kingdom enters the space age," the Saudi newspaper Okaz wrote in an editorial. "Let the trip be the harbinger of a revival of the Islamic leadership of sciences and knowledge."

Magazines in Mexico have called the \$150-million Mexican satellite project "a symbol of independence" and a sign of the country's "driving force" in the world.

United Air Pilots Ratify Agreement

Carrier's Return to Full Operations Will Take 3 to 4 Weeks

By Richard Witkin
New York Times Service

NEW YORK — The 29-day strike of 5,000 United Airlines pilots has ended with the ratification of a tentative agreement by union leaders. The airline said it would be back to full operation in three to four weeks.

The last obstacle was removed Friday when the Association of Flight Attendants agreed that those honoring the pilots' picket line, a majority of its 9,000 members, would return to work without a contract. The pilots' union leaders approved the contract early Saturday.

The flight attendants, saying they would pursue the matter in court, released the pilots from their pledge not to end the strike until the cabin crews had settled their differences with the airline.

Both sides in the pilots' strike, which curtailed the airline's operations to 14 percent of its pre-strike average of 1,550 flights a day, claimed victory.

Richard J. Ferris, United's chairman, said the airline had won a two-tier wage scale that would make it "most competitive" with its rivals.

Roger Hall, head of the United

unit of the Air Line Pilots Association, said Mr. Ferris had failed to break the union, which Mr. Hall said had been a top company goal. He noted that a federal district judge in Chicago was being asked to decide critical back-to-work issues, including the question of whether nonstrikers could obtain cockpit assignments at the expense of strikers.

Sources at the airline said United would begin to restore some service in the coming week.

The strike began May 17 after negotiations in Chicago reached an impasse on a critical economic issue, the introduction of the two-tier wage scale, under which newly hired pilots would initially be paid at levels substantially below the wage scale provided in the previous contract.

The union insisted that the newly hired pilots reach parity with previously hired pilots in five years. The airline insisted that parity should not be reached until a newly hired pilot had achieved captain's status, which in the past has taken 18 to 20 years.

A week after the strike began, a compromise was reached on the economic package. Under it, the two-tier system would be established for five years and, if the two

sides could not agree on an extension, the issue would be submitted to binding arbitration. The union agreed to a company plan to pay newly hired pilots 34 to 50 percent less in that time than employees hired before the strike.

For instance, the old contract provides that a second officer would have yearly pay of \$43,750 in his second year with United; under the new agreement, that pilot would earn \$26,400. A second officer, also called a flight engineer, holds the lowest-ranking position in the three-pilot cockpit.

But achievement of the economic compromise did not end the strike, as many had hoped. The negotiations broke down over rival demands on conditions for getting back to work.

The most critical issue was United's pledge that it would fulfill its promise to nonstriking pilots that they would retain advanced cockpit assignments at the expense of strikers with greater seniority. The union was adamantly opposed.

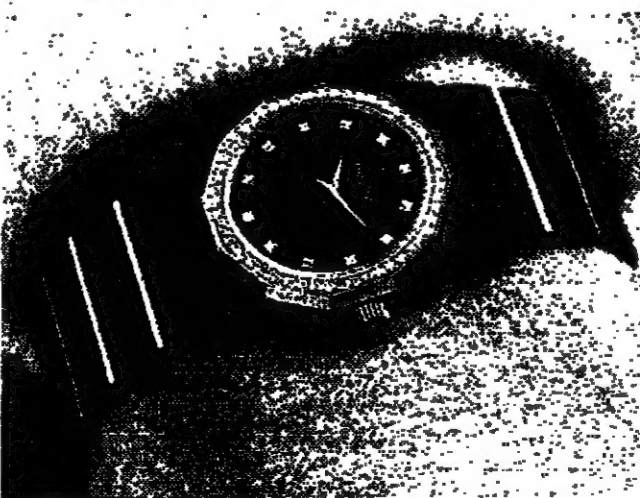
Finally, last Wednesday, a compromise on most of the back-to-work issues was achieved with the help of Helen W. Witt, the head of the National Mediation Board.

Both sides agreed to let a federal District Court in Chicago decide whether nonstrikers could retain rights to advanced cockpit assignments, the status of the 570 trainees, and the status of newly hired experienced pilots.

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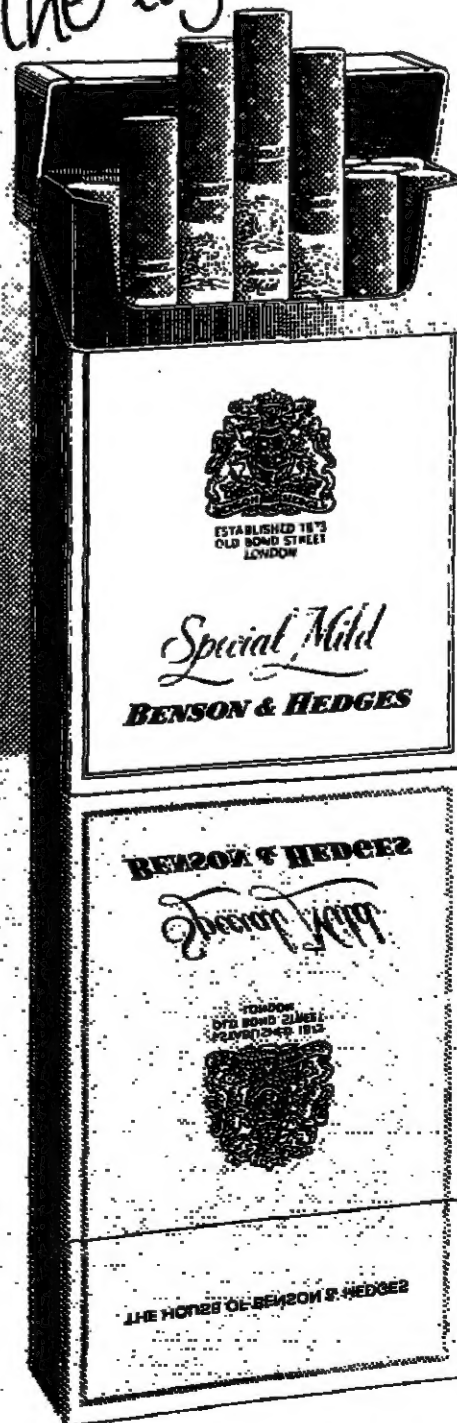


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After Successful Gandhi Trip, Indians Look Forward to Improved Links With U.S.

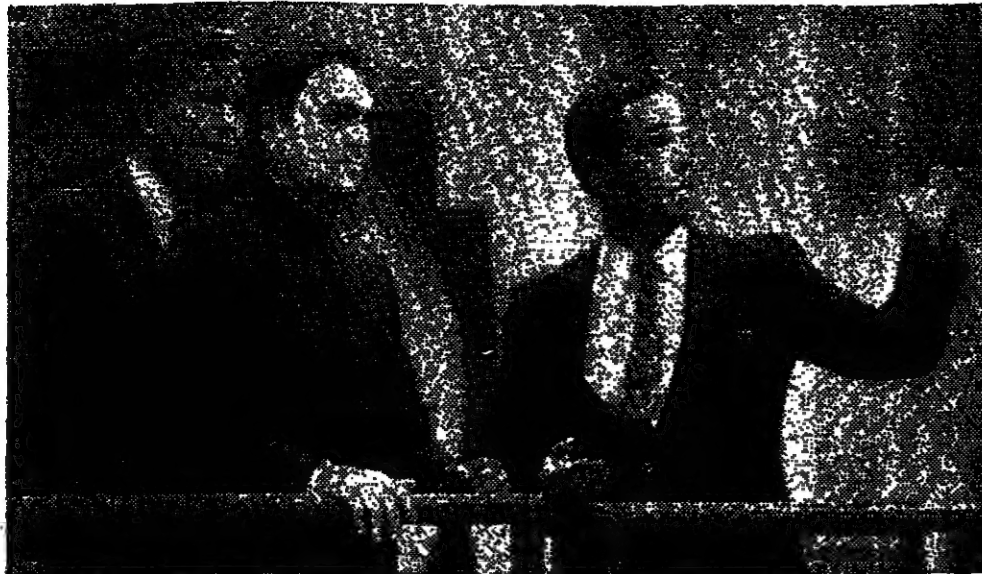
By Stuart Auerbach
Washington Post Service

NEW DELHI — Indians are looking forward to a new era of improved relations with the United States following what was seen here as a successful U.S. visit by Prime Minister Rajiv Gandhi.

But the recently retired Indian foreign secretary, Mahabir Krishna Rasgotra, cautioned against putting too much emphasis on possible arms sales that would attempt to wean India from its military supply relationship with the Soviet Union.

He said Mr. Gandhi was unlikely to enter into large-scale arms purchases that would jeopardize New Delhi's relationship with Moscow, which he said was important because the Soviet Union is an Asian power with long borders with China, Iran and Afghanistan.

Mr. Rasgotra and other commentators here said that Washington's arms supply relationship with Pakistan remains a major irritant between the United States and India. Mr. Gandhi focused in his talks with the Reagan administration on what his country sees as the danger to it from a Pakistan armed with sophisticated U.S. weapons.



Prime Minister Rajiv Gandhi tours a space shuttle mockup at the Johnson Space Center in Houston with Vice President George Bush, left, and the astronaut Robert L. Crippen.

However, Mr. Rasgotra, who laid the groundwork for the meeting between President Ronald Reagan and Mr. Gandhi, concluded

that the visit went well. Almost every event of Mr. Gandhi's trip was seen live on Indian television, the first time such broad coverage

of a prime minister's visit to the United States has been available in India. Leading newspapers also carried

four to five daily articles on the trip, including ones on how the U.S. press treated the prime minister.

The papers have not yet made any editorial comments on the impact of the meeting between the leaders of the world's two largest democracies, which have maintained a troubled relationship for most of the last 25 years. But two respected journalists, H.K. Dua of the Indian Express and G.K. Reddy of the Hindu, in separate interviews, called the trip a success and said it should lead to better U.S.-Indian relations.

K. Subrahmanyam, director of the Institute for Defense Studies and Analysis, acknowledged that Mr. Gandhi had made a good impression on the Reagan administration. "Such trips are always good," he said. "We will have to wait and see what concrete good emerges."

"He is moving a little closer to the United States, but gingerly," said Mr. Dua, a columnist and head of the Express News Service. "His price is definitely Pakistan."

Mr. Rasgotra said that Mr. Gandhi was attempting to head off a new round of U.S. arms sales to

Pakistan following completion of the current Reagan administration commitment of \$1.6 billion in credits for U.S. weapons, including 40 F-16 fighters partly paid for by Saudi Arabia. "A bigger package is bound to come," he said.

India and Pakistan have fought three wars since they gained independence in 1947.

India is especially concerned that Pakistan might be able to buy the Hawkeye airborne early-warning radar surveillance plane, which was used by Israel in 1982 to control its jet fighters in their attack on Soviet-made Syrian MiGs.

According to U.S. and Indian sources, the Reagan administration told New Delhi that the best way to keep Hawkeyes out of Pakistan's hands was to persuade the Soviet Union to ease its troops' pressure on the Pakistan-Afghan border and to stop its jets from attacking Pakistani border villages.

Mr. Gandhi, in a meeting with U.S. reporters here before his trip, said that the increased tension on

the border worried him, and that India would like to see it eased. But he blamed U.S. aid to Pakistan-based Afghan resistance fighters for much of the tension.

Pakistan reacted to his attack on its arms relationship with the United States by accusing India of trying "to drive a wedge" between it and Washington.

Mr. Rasgotra said that better relations between the United States and India were likely to come from an agreement allowing the sale to India of U.S. high technology, including sophisticated computers. The Indians persuaded Reagan administration officials, including the undersecretary of defense, Fred C. Ikle, that they would not allow that technology, which has potential military uses, to slip into Soviet hands.

"The technical opening can be a very big thing," said Mr. Rasgotra, who, as foreign secretary, played a major role in negotiating the U.S.-Indian agreement.

The Pentagon sees the agreement as a way to sell India the technol-

ogy to build its own high performance weapons, thus reducing its dependence on the Soviet Union. On a recent visit to New Delhi, Senator Orrin Hatch, a Utah Republican, and Michael E. Pillsbury, assistant undersecretary of defense for policy planning, brought a letter from Lockheed officials offering to help India design and build its own light combat jet fighter, a goal that defense specialists in India have been aiming for with little success.

But Mr. Rasgotra expressed concern that Mr. Gandhi's strong opposition to Mr. Reagan's Strategic Defense Initiative, his space-based weapons plan, could sour relations between the two leaders.

He dismissed some U.S. reports that Mr. Gandhi had made a major policy change on Afghanistan, saying that the only new element in the prime minister's speech to a joint session of Congress on Thursday was a comment on the need to get a government in Kabul that the three million Afghan refugees in Pakistan could return to.

View From the North: Korean DMZ Is 'Dangerous Place'

By John F. Burns
New York Times Service

PANMUNJOM, Korea — For a Westerner, there is a strangeness about entering the demilitarized zone between the two Koreas from the Communist side.

At the point where North and South meet, just across a three-inch (seven-and-a-half centimeter) concrete ridge that marks the demarcation line, U.S. soldiers in helmets ringed with the twin blue bands of the United Nations march northward. Greetings shouted in English from a distance of 50 yards (46 meters) bring only silence.

Within moments, half a dozen soldiers have binoculars trained on Panmun Pavilion, the three-story structure built by the North Koreans as an administrative center and viewing point.

A U.S. officer appears in sunglasses, watching as the visitors from the north survey the scene in the company of an officer in the olive-drab tunic of the North Korean Army.

It is here, for more than 30 years, that two worlds have confronted each other.

When a North Korean major at

an observation post a short distance farther east says, "this is a very dangerous place," few would argue with him.

Two powerful Korean armies face each other across a DMZ only two and a half miles (four kilometers) wide. An American force of about 40,000 is arrayed with the southern army. Behind North Korea stand the Soviet Union and China.

A North Korean officer says his country has protested U.S. violations 407,000 times, or 35 times a day, since 1953.

The few Westerners admitted to North Korea are brought here by train from Pyongyang, 125 miles north. At Kaesong, a dilapidated city of 200,000 that was bitterly contested in the war, a chauffeured car completes the final six miles to the demilitarized zone, out of the city along cobbled streets into a vista of lush green paddies.

Along a road where most of the traffic consists of ox carts and young women with babies slung on their backs, the first sign of the

tension ahead comes suddenly. Crossing a river, the bridge is cut to one lane by huge concrete blocks ready for use as tank barriers. Large rocks stretch along the river bank for hundreds of yards on either side, barring movement between two hills.

Further on, beside the army post that guards the entrance to the zone, a 20-foot-high billboard shows a powerful young man in

shirt-sleeves thrusting a rifle butt at two frightened U.S. soldiers sprawled on the ground. Behind them, the Stars and Stripes lies in shreds. The legend, in Korean, proclaims, "Make haste in reunifying our country."

It is one of the few reminders of North Korean attitudes toward the United States. At the guard post, the officer deputized to guide visitors through the zone, Zi Myong Chol, a 31-year-old captain, offers greetings in a cultured English and

explains the workings of the armistice agreement over a model of the Joint Security Area at the heart of the zone.

With his handsome features, red and yellow collar tabs and leather belt, Captain Zi has the stuff for a starring role in one of the war movies dominating the bill in Pyongyang theaters.

The low-lying building with a corrugated roof where the armistice

was signed in July 1953 passes rapidly by, closed for "renovations," according to Captain Zi. On a low hill at the center of the zone, the cars halt before the white concrete building that the North Koreans use to look out over the demarcation line.

Casualty and without rancor, Captain Zi offers a synopsis of what North Korea lists as U.S. violations of the armistice agreement. Pointing to an observation post where a fair-haired U.S. soldier can

be seen on the telephone, the North Korean officer says that heavy weapons, including machine guns barred by the accord, are stored in a bunker below. He says protests over such matters have been made 407,000 times since 1953, without result. North Korean protests, at that rate, would average 35 a day.

The captain seemed eager to discuss two incidents raised by his guests. One, in 1976, involved two United States officers who were axed to death in a dispute with North Korean soldiers over the cutting down of a tree. In another incident, last November, three North Korean soldiers were shot dead after allowing a 23-year-old Soviet tourist to lunge across the demarcation line. Captain Zi's account in both cases was matter-of-fact, differing from the American versions just enough to shift the blame to the United States.

In the November incident, he acknowledged that North Korean soldiers crossed the demarcation line in defiance of the rules, but said they "had" to try to bring the Russian back. Told that U.S. reports said the tourist was defecting, the captain smiled and replied, "They presented him as a defector, but it is not right." He offered no alternative description.

The North Koreans also seemed eager to place on the record other U.S. actions that they described as hostile, though not banned. According to Captain Zi, the North Koreans would like to exchange "friendly greetings" with their "compatriots" in the south. But he said the Americans had forbidden this. "This makes us sad," he said.

U.S. Questions South African 'Conduct and Policy'

New York Times Service

WASHINGTON — In recalling Ambassador Herman W. Nickel from Pretoria to protest South African military raids into Botswana on Friday and into Angola last month, the State Department said that the United States "rejects categorically such a policy which is antithetical to the goal of working for negotiated solutions and an end to southern Africa's cycle of violence."

Bernard Kalb, the State Depart-

ment spokesman, said Friday that the raids raised "the most serious question about that government's recent conduct and policy."

In diplomatic practice, the recall of an envoy from a country whose policies had just been condemned is tantamount to a public statement that relations are extremely strained.

Mr. Kalb said that the United States did not condone recent bombings and other acts of violence in South Africa against the government.

"But this latest South African action comes against a background that raises the most serious questions about that government's recent conduct and policy," he said.

Senior South African officials have defended those actions, he said, even those that "placed at physical risk U.S. lives and property." Mr. Kalb was referring to the discovery in Angola last month of South African commandos who reportedly planned to blow up oil installations jointly owned by Angola and a U.S. company.

He said that South Africa had not yet "provided a satisfactory explanation of the evidence that has come to light that the team intended to sabotage the Cabinda Gulf Oil Co. facility."

Mr. Kalb said that the attack in Botswana was "particularly deplorable" because recent progress had been made by the South African and Botswana foreign ministers "to control cross-border violence and settle mutual problems by discussion."

"Mechanisms had been put in place to handle security concerns of both sides," the spokesman said, "and South Africa's action calls into question its sincerity and seriousness in dealing constructively with these matters."

UN Debate Sought

President Quett Masire of Botswana said Saturday that his nation would seek a United Nations Security Council debate on the raid by South Africa in which at least 16 people died, Reuters reported from Gaborone.

Crowds Riot in Soweto

South African riot police fired shotguns and rubber bullets Sunday at crowds throwing gasoline bottles at home in Cape Province on the ninth anniversary of riots in the black ghetto of Soweto, Reuters reported.

Clashes between police and black crowds have broken out in the past on the anniversary of the start of the Soweto riots, in which 575 people died during eight months of protests against the teaching of the Afrikaans language in black schools.

South African Raid Seen Hurting U.S. Policy

(Continued from Page 1)

tance from his closest African allies, Zimbabwe and Tanzania.

In South Africa, the homes of two politicians were damaged last week in grenade attacks. Pretoria said that the assaults were carried out from Botswana by guerrillas of the banned African National Congress and led to Friday's retaliatory raid. Official figures say that nearly 400 people have been killed since September in racial violence that flared again Sunday on the anniversary of the 1976 Soweto uprising.

All of these incidents have their origins in the internal situations of South Africa and Namibia. The attacks on Angola are in large part a response to that government's harboring of insurgents of the South-West Africa People's Organization, which has fought a 20-year bush war to oust South Africa from the former German colony that it has administered since 1920.

Similarly, Pretoria funded and guided the Mozambican rebels for several years to punish Mr. Machel's government for harboring members of the ANC. Official support for the Mozam-

bican rebels was supposed to cease last year after Pretoria and Maputo signed a nonaggression pact. The fact that the rebels still are operating in many parts of Mozambique is a blow to that pact and to the United States, which helped broker the accord.

To honor the agreement, Mr. Machel forced his longtime ANC allies to abandon his country's base of operations and seek other points of entry into South Africa. Because of its long, sparsely guarded border with South Africa, Botswana has become a prime replacement despite efforts by that government to avoid being entangled in the conflict.

South Africa planned to install an interim government Monday in Namibia. President Pieter W. Botha was to hand over all government powers except security and

foreign affairs to a loose coalition of black and white politicians that does not include SWAPO.

Western governments, anxious to safeguard a 1978 United Nations plan for independence and a freely elected government in Namibia, have deplored the formation of a new government without elections and without SWAPO.

South Africa has conducted several cross-border attacks in recent years against insurgents based in Mozambique, Angola and Lesotho. But Friday's raid marked the first major assault against Botswana, long considered the region's most politically stable state with one of its smallest armies.

The raid followed two recent bomb attacks in Gaborone, the Botswana capital, against black South African refugees believed to be linked to the ANC, and it is seen likely to incite fears that Botswana could be torn by opposing outside forces stronger than itself.

Soviet Nuclear Test Reported

STOCKHOLM — The Soviet Union has detonated a nuclear device near the Chinese border, according to the Swedish Defense Research Institute.

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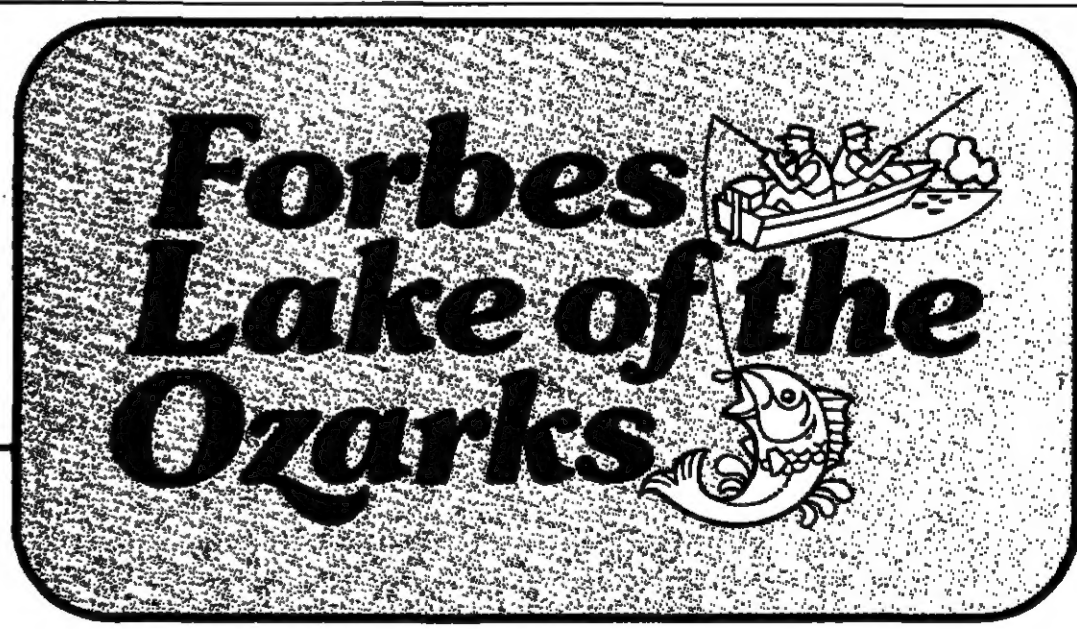
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P285

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

A U.S.-Indian Beginning

It was good to have Prime Minister Rajiv Gandhi in town. His manner was winning and his approach to America relatively sympathetic. It remains true that the democratic character of the two countries is mutually gratifying and an advantage in working out the subtle and not so subtle tensions between them.

These tensions arise from real differences in culture and development and, more, from an abiding disagreement over the political structure of the Asian subcontinent. India's view is that South Asia is a region in its own right, that India is dominant in it and that this dominance, specifically over Pakistan, should be acknowledged by all. That Moscow makes this acknowledgment fully and that Washington does not encourages "non-aligned" Delhi's familiar pro-Soviet tilt.

Washington has seen South Asia not just as a region but also as an arena of the East-West contest. This is the basis of the U.S. military tie to Pakistan, a country that successive U.S. administrations have regarded as a useful friend and that India regards as an upstart craving revenge for three lost wars and perhaps tempted by a fourth, this time with a (stealthily built) nuclear bomb in hand. That India has already exploded a (stealthily built) bomb is taken by Indians as something of a

natural right that they need explain to no one.

This abiding disagreement extends to Afghanistan. India has politically comforted the Soviet invaders. The United States has supported the resistance. In Washington Mr. Gandhi spoke somewhat more emphatically than before about the urgency of a political settlement. But it would be a surprise if India, were to push it much harder on Afghanistan. There may be solid geopolitical grounds for doing so: India's need to keep Pakistan a sturdy buffer against Soviet encroachment and strategic encirclement. But Delhi is not guided exclusively by this larger view.

Rajiv Gandhi's relative youth (he is 40) and his technological bent fit nicely with the development requirements that India was already perceiving when he took office. Spotting the opening, the United States has moved briskly to offer the requisite high technology and encouragement to free enterprise. This is important. The Indians are chary of buying weapons from a source likely to tie tighter straps on their use than do Delhi's Soviet suppliers, but over time this, too, could become a larger area of Indian-U.S. cooperation. It is worth both countries' striving for it.

—THE WASHINGTON POST.

Remember the Deficit?

Reality has begun to intrude on the discussion of federal budget deficits. This healthy illumination makes the problem even more difficult than it appeared last month. It also forces attention back to raising taxes.

The reality is that both the Senate and House overestimated the future savings in their projected budgets for fiscal 1986. The errors occurred largely because both bithly accepted the administration's optimistic forecasts for growth and interest rates. Both houses recently estimated in budget resolutions that the deficit next year would be reduced by \$56 billion. Already, the administration and the Congressional Budget Office agree that the 1986 reduction will be smaller, possibly by one-third. Moreover, they now predict a 1988 deficit of at least \$149 billion — a long way from the advertised target of \$100 billion — and maybe even close to the present \$200 billion.

Higher taxes will be needed after all. Taxes cannot be raised unless President Reagan changes policy and leads the effort. But the president remains adamantly opposed and has now distracted the country by devoting himself entirely to a tax reform plan that, by his own estimates, would enlarge future deficits.

The administration has pretended all year, and Congress pretended to believe, that substantial deficit reduction and tax reform could be accomplished in a single year and kept discretely apart. That might have been possible if Mr. Reagan had contributed to deficit reduction with a tax that is unaffected by reform — a sales tax on gasoline, for example. But neither project looks feasible if he offers no new taxes and insists on reforming taxes in a way that would reduce future revenues.

Impossibly, the president contends that both projects have "priority." That sounds suspiciously as if neither has. A priority takes precedence, and there should be no question that deficit reduction is essential, whereas tax reform is desirable. It has been possible all along that the reform debate would in any case run over into next year or even the next Congress, starting in 1987. The new estimates imply that even then only a tax increase can achieve enough deficit reduction to permit a shift of attention to reform.

Everyone's priority seems to be wishing that real problems would just go away. They won't. If neglected, they will get worse.

—THE NEW YORK TIMES.

Free Ethiopia's Farmers

The rains are coming in Ethiopia, but since drought was never the major cause of famine there are unlikely on their own to lead to plenty. The real problem lies in civil strife in the countryside and in the junta's Soviet-type farming policies. These twin disruptions have been focused in the north, where the prospects remain grim. In the south, less afflicted by violence and the junta's heavy-handedness, conditions are better. This is the critical point to bear in mind as Ethiopia and its would-be rescuers turn from a necessary preoccupation with relief to an effort to rebuild.

Much still needs to be done to improve the distribution of relief. The government has to unblock ports and release army trucks for food transport — and be denounced for its continuing reluctance to let relief missions enter rebel-held areas. But the main requirement is to recognize the emerging priority of enabling the country to grow more of its own food.

For years, the Ethiopian armed forces and their assorted challengers have ravaged the countryside, forcibly recruiting peasants for military campaigns or treating them and their fields as the enemy. Meanwhile, the govern-

ment destroyed the country's agriculture by enforced collectivization, price manipulation and other administrative means. If Ethiopia is to feed itself, all of this must be reversed.

The fighting and the political rigging must stop. Farmers must be left alone to grow their crops. They will have problems of seed, fertilizer, credit, transport and the like, but these are the sort of problems that they have traditionally solved. They do not need a big state apparatus or foreign network. They never had these things, and they grew a lot of food.

There is no need to be wowed to make officials and rebels leave the farmers alone. The two groups — especially the government, which has the real responsibility to care for the people it claims are its citizens — have long since shown they are ready to put a quest for power ahead of considerations of human life. But they, all of them, need to be made accountable for their policies. They need to be held to a standard of responsibility. Nothing heroic or technical, nothing beyond their resources, is being demanded of them. They should just be expected to get out of the farmers' way.

—THE WASHINGTON POST.

A Reagan-Gorbachev Initiative

By Armand Hammer

The writer, chairman of Occidental Petroleum Corporation, has had frequent business dealings with the Soviet Union in the past and is visiting Moscow this week to meet General Secretary Mikhail Gorbachev.

LOS ANGELES — The long impasse between the Soviet Union and the United States may possibly now be resolved. The unfolding of recent events may make the time right and ripe. An opportunity has arisen that will enable the present antagonism to suddenly melt into a cooperative spirit.

Why has this "impossible event" now become possible? President Reagan, whose prior pronouncements were bitter and sometimes belligerent, has been turned by events into a cooperative spirit. He is presiding over the United States for the first time. His eye is no longer on political considerations. He can have only one ambition — the noblest kind: to go down in history as a peacemaker.

His second, although subordinate, consideration is that if he can achieve a verifiable agreement for the reduction in armaments, the only mark that would be against him, now that he has gone a long way toward solving inflation problems, would be the deficit. But if the United States could free itself from devouring military expenses, the deficit could disappear.

Mikhail Gorbachev's motivation for peace is similar to Mr. Reagan's. He, too, would be hailed by generations to come if he could end the strife and its resulting menace to all — and by such an achievement could take his place alongside Lenin in Russian history. The burdens of armaments weigh heavily upon the Russian people, just as U.S. expenditures do upon Americans.

There is no public bookkeeping system to reveal this in the Soviet Union, but books are not necessary. The standard of living of the Russian people is far lower than the dream of revolution envisioned. If Mr. Gorbachev could relieve his treasury of the exhausting expenses of the arms race, the Russian people could enjoy a higher standard of living. Mr. Gorbachev would be blessed by his people not only for peace but also for giving them a better quality of life.

The rewards for establishment of a genuine friendly relationship are so immense, and the time is so right, that both sides must dare to make concessions previously considered impossible. The technical problems in disarmament are so involved and complex that the greatest experts on both sides may honestly differ. When one is dealing with nuclear weapons, which can never be fully

lost by meeting and getting to know each other? If both sides could declare to the world, at such a meeting, that neither would be the first to use nuclear or conventional weapons in an attack upon the other and, further, that the two leaders intended to hold additional meetings at regular periods because they were determined to achieve friendship, goodwill and good progress in the negotiations in Geneva, there would then be an electric shock of gratification throughout the world.

Such a mutual announcement with an earnest handshake might cause celebrations and dancing in the streets, like the declaration of a cease-fire at the end of a war. And from this, in turn, would flow such a flood of approval and stimulation that the process of reconciliation would be accelerated beyond any possible anticipation.

There is an opportunity for Ronald Reagan and Mikhail Gorbachev to achieve immortality. There is an opportunity for a better world. The cynics and doubters on both sides must be ignored.

Pindar, the Greek poet, said, "We must exhaust the limits of the possible." Everything is possible.

The New York Times.



Drawing by Volentin Anetko.

But Gorbachev's Options Are Limited by the System

By Robert D. Hormatz

NEW YORK — Few people in the Soviet Union or the West question the need for Mikhail Gorbachev to initiate significant economic reform. Much less certain is how far he will go — and what will be the consequences for Soviet relations with the rest of the world.

Nearly 300 years ago, one of Mr. Gorbachev's predecessors, Peter the Great, journeyed incognito through Western Europe and found it in the midst of an industrial revolution that had barely touched Russia. The experts and new technologies that he brought home launched Russia on the path of modernization.

Mr. Gorbachev's Soviet Union is of course a far different place from Peter's Russia. It is highly industrialized and capable of impressive technical achievements. But its economy overall has failed to innovate and has fallen seriously behind. It is an unattractive model for the rest of the world and generates little domestic enthusiasm.

Soviet technological development has lagged. The Kremlin continues to tightly control production, prices, computers and information. In contrast, in recent years, the West has experienced dramatic technological progress and a spurt of entrepreneurial energy. Many industrialized and developing nations have reduced government regulation and increased market incentives.

China's success in relying more on market forces must raise disquieting questions for the Kremlin. China has farm surpluses. It has loosened state controls and embarked on promising industrial reforms.

But the Soviet Union is not China. The Cultural Revolution and other upheavals weakened Chinese party structures likely to oppose reforms. The Soviet party and bureaucracy are more entrenched and insist on maintaining their privileges. The Kremlin may also fear that decentralized economic decision-making could spur pressures for greater autonomy in Eastern Europe and among non-Russian peoples in the Soviet Union.

Nevertheless, Mr. Gorbachev doubtless sees the need at least to loosen some controls.

First, agricultural production. China has permitted a growing portion of farm production to be sold

on the free market. The Russians could do likewise, but that would violate orthodox ideology. A more gradual approach is likely. It must be recalled that before he became general secretary, Mr. Gorbachev had party responsibility for agriculture and could make little progress.

Second, industrial modernization. This would require cuts in redundant jobs, greater autonomy for factories and, ultimately, sale of many goods at nonregulated prices. Such measures would likely be resisted by party officials and the vast bureaucracy fearing a loss of influence. Less ambitious steps, stressing at first productivity bonuses and discipline, are more likely.

Third, broader use of information technologies. Military and research facilities have taken advantage of computers, but access has been restricted for most industries. The Kremlin will have to confront the fact that modernization will depend on expanding the use of computers and related technology. There will be much party resistance.

But even should Mr. Gorbachev launch major reforms, we must guard against assuming that they would automatically lead to more moderate Soviet international behavior. More rational economic decision-making could strengthen demands for more trade with the West and for channeling resources to the nonmilitary sector. But these developments are unlikely to end the military's first call on resources.

Moreover, the party might try to offset a loss of economic control by strengthening its influence in other areas. Improved economic growth would undoubtedly mean increased vigilance in guarding against a decline in Soviet power in Eastern Europe. It could also make the Russians a more formidable adversary.

We may soon get some indication of whether Mikhail Gorbachev's reforms will do for the Soviet Union today what Peter's did for Russia. But we may have to wait much longer to see how they affect Moscow's foreign relationships.

The writer, an economic official in the last four U.S. administrations, is a vice president at Goldman, Sachs & Company, investment bankers. He contributed this column to The New York Times.

And Reagan Seems to Prefer Talking Big and Thinking Small

By James Reston

WASHINGTON — On the two major issues before the U.S. government today, the control of the budget and the control of nuclear weapons, President Reagan has recently been trying to avoid a break with Congress and the Russians.

Against the opposition of some of his supporters in the cabinet and on Capitol Hill, he compromised on the military budget and on Social Security, and he agreed to stay within the limits of what he had called the "fatally flawed" SALT-2 treaty in order to keep the arms talks going. This was typical. There is a lot of "go" in Mr. Reagan, but he usually pulls back before he hits the wall. What he does is to buy time.

But it is not at all clear that these tactical maneuvers will suit the two momentous issues on which his administration is likely to be judged. The Economist of London asked the other day, "What will Reagan leave behind?" What indeed? Something for the future security of the

nation? Or just anything that gets a laugh or a vote for the day?

He has left no doubt about his objectives, which are not modest. He wants to reduce the authority of the government at home and increase it abroad. So he wants to decrease domestic spending and increase military spending; and he wants not only to come to terms with the Soviet Union on the reduction of nuclear weapons on Earth, which they say they are willing to do, but to experiment with nuclear weapons in outer space, which the Russians say they will not do. In short, Mr. Reagan deals with everything except the contradictions.

Even when Mr. Reagan and Congress agree on the budget, which they will do after a lot of fussing and posturing, they will still have the most spectacular budget and trade deficits in American history. And even after buying time to

keep the Geneva talks going, Mr. Reagan and Mikhail Gorbachev will have to decide whether they want to go on damming one another about the things that divide them or begin to think, for a change, about the things they have in common.

Mr. Reagan says he is presiding over a "second American Revolution," and this is what he wants to leave behind. But he is not really a revolutionary man. He is a wobbly conservative who believes that more progress can be made by stopping bad things and backing into the future than by risking new things.

When he gets \$38 million for the "contras" in the Nicaraguan war, and a compromise on his military budget, and more time to talk to the Russians about trust control, he will still be in a bind. He compromises with everybody but convinces nobody who looks even occasionally at the military and economic facts.

And so, for the time being, President Reagan and General Secretary Gorbachev are fencing with one another, playing tactical games.

If Mr. Gorbachev were to come forward with specific proposals for a 25- or even 50-percent cut in the military budgets of the two countries or in nuclear arsenals, with guarantees of continuing verification, it is hard to believe that U.S. public opinion would prefer Mr. Reagan's theoretical "star wars" defense to practical cuts of that size.

There has long been solid scientific support for a comprehensive nuclear test ban — almost achieved in the Kennedy administration. But when Mr. Gorbachev endorsed the idea again the other day, it was dismissed without explanation.

The main argument is that there is nothing new about Mr. Gorbachev, just the same old one-eyed leader. But when he is seen taking strong

measures at home to control alcoholism and to face up to the facts of the Soviet Union's staggering economy, there is some reason for thinking that maybe, just maybe, a new pragmatism is emerging at the top of the Moscow government that is at least worth exploring.

Maybe, too, as many officials in Washington say, this is all smoke and mirrors. But the magnitude of the economic and military problems requires more than dreamy talk about "star wars" and "a second American Revolution."

President Reagan talks big but thinks small. He waves his bat like Babe Ruth and points to the right-field bleachers, but then he bunts. If the budget deficit and the trade deficit and the arms race are not tackled soon with much bolder policies, it is fairly clear what Mr. Reagan will leave behind — not only a wave and a smile, but a more unbalanced and dangerous world.

The New York Times.

Other Opinion

Stop Dealing With Hijackers

Hijacking takes a random set of people, most of whose contact with political causes or armed struggle has been no closer than their television screens, and projects them into an anarchic hell where there are suddenly no limits to pain and humiliation and no rules to ensure they will survive. Their fate depends on screaming fanatics whose motives and language they barely understand, and on the actions of distant governments over which they have no control. There is nothing they can do except keep their heads down, and pray. Is there any way to prevent such outrages?

In recent months, Iraq gave sanctuary to a

family who had pilfered a plane (200 passengers) to escape from Iran. Taiwan awarded a suspended sentence to a young Chinese who redirected a British Airways flight (355 passengers) on its way from Hong Kong to Beijing. Havana, Algiers and many others have been prepared, on occasion, to turn a blind eye.

Only when such behavior brings total diplomatic ostracism will the sky-pirates be defeated. Of course, there will never be complete insurance against the airborne suicide bomber. But civilized governments must give no quarter and do no deals. Those foolish enough to give encouragement deserve to be regarded as no better than hijackers themselves.

—The Sunday Times (London).

FROM OUR JUNE 17 PAGES, 75 AND 50 YEARS AGO

1910: Armed Miner Calls on Taft

NEW YORK — An insane man armed with a loaded revolver called at the White House (on June 16) and was entering President W.H. Taft's office when he was arrested by a White House attendant. He had presumably intended to shoot the President. He was taken to jail, where it was learned that his name was James Stricklin, a miner from West Virginia. He stated that President Taft had advertised in the newspaper of his city that he wished him to go to the White House. There was no intention on his part to do the president any injury, but he was fully convinced that it was the President's intention to talk over the miner's grievances with a view to having them remedied.

1935: Protection for British Steel

LONDON — Thanks in part to the government's willingness to employ the tariff bludgeon, the British steel industry has obtained favorable terms from the Continental steel cartel. Last week an agreement was reached which will come into force on August 8, replacing the arrangement patched up in April after the British tariff had been hoisted from 33% to 50 percent. The new agreement provides that for the first twelve months imports of all iron and steel products into this country from the cartel territories shall not exceed 670,000 tons, while thereafter the maximum is to be 525,000. British industry will enjoy something approaching a monopoly in the home market.

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Economies in Peril: The Bonn Summit Failed to Point the Way

By Helmut Schmidt

The writer, an economist and politician, was West German chancellor from 1974 to 1982. This is the first of two articles.

BONN — Last month the leaders of seven nations met in Bonn to confront dangerous trends in the world's economies. Although this was the 11th such economic summit in as many years, it may have been the least successful. It was characterized by three failures:

First, neither the Europeans nor the Japanese seemed able to adopt policies to help offset a decline in the American economy. The Reagan administration's effort to cut the budget deficit for 1986 makes some sort of slowdown in the U.S. economy inevitable. A decline in the purchase of Japanese, European and Third World exports in the United States could destabilize those economies as well.

Second, there was little significant discussion about the key economic problem in the world today: the overvaluation of the U.S. dollar brought on by a large budget deficit and resulting high interest rates.

Third, no agreement was reached on fighting protective tariffs and heading off trade wars by setting a date for GATT revision. Nor was there agreement to link a GATT meeting with currency reforms.

What will happen to the world's economy before the next economic summit is held in Tokyo next year has mostly to do with what will happen to the American economy. The United States faces a double dilemma of deficits: a serious debt load in its domestic budget and a growing debt in its international trade.

The chairman of the U.S. Federal Reserve Board, Paul Volcker, was correct when he said that the United States is financing its deficits with savings from elsewhere in the world, causing a drag on spending in other nations where the savings are no longer available. And he was correct in saying that America is moving from being the world's largest creditor to being its largest debtor.

Right now it can still afford its deficits, but by 1986 it may find it more expensive to borrow to service its foreign debts. A lot of foreign capital is invested in the high-value dollar, but what if those abroad wish to have their interests transferred

into their own currencies? From where would America borrow then?

To many American politicians the crisis seems overstated, especially when U.S. deficits are measured in relation to GNP. Using that yardstick, the budget deficit does not look bad compared with other industrial countries. According to the OECD, last year the U.S. deficit was 4.2 percent of GNP. West Germany's was 2.5 percent, France's was 3.4, Britain's 3, Canada's 6, Japan's between 6 and 7 and Italy's 13.

A more important measure, however, is the extent to which a government sucks in private savings to finance its deficits. If the private sector does not save more than it is investing, no savings will be available on which the government can draw, no matter what percentage of GNP the deficit is. If a government borrows money anyway, the credit must come from a central bank such as the Federal Reserve System (which would then have to print more money) or it could come from abroad.

Countries with low private-sector savings rates thus have less room to maneuver with their debts. The United States has the lowest savings rate of all the industrial countries. In the last two years, 5 to 6 percent of disposable income of private households went into savings. By comparison, personal savings in West Germany amounted to 12 percent of disposable income, and in Japan they were 18 percent. Assuming approximately the same relative corporate capital requirements in the three economies, West Germany could have permitted themselves a relative budget deficit twice as high as America's, and the Japanese three times as high.

In 1982 the Japanese government drew off about 40 percent of private savings to finance its deficit and in 1983 less than 22 percent. The figure for 1984 will doubtless be similar. In 1982 the West German government used 40 percent of private savings; in

1983 it used 30 percent. The trend for 1984 is again toward a lower figure. By comparison, the U.S. government consumed about 70 percent of private savings in 1982 and 1983. Recent data indicate that the number for 1984 will be slightly better.

Because the Federal Reserve under Mr. Volcker has consistently refused to increase inflation by printing more money, only 30 percent of domestic savings were left to provide money needed for industry and commerce — not nearly enough for economic recovery. Therefore, a large volume of capital and credit has been imported from abroad, pushing the U.S. foreign debt into ever higher figures. In

1984 there was a net inflow of more than \$100 billion, and estimates for 1985 inflow are similar.

A reduction of the budget deficit for 1986 of \$50 billion and another \$50 billion for 1987 are the minimal amounts necessary to stem the swelling of American debt. Additionally, tax incentives for savings will be needed to lower interest rates and exchange rates. The consistently high value of the dollar, however, seems to indicate that international markets have little faith that Mr. Reagan's deficit proposals will be applied.

Meanwhile, Japan and Western Europe have largely benefited. The high dollar — which has increased in

average value over the currencies of America's 13 most important trading partners by 40 percent since 1980 — has made the United States an El Dorado for Japanese, European and even Latin American exports.

Last year Japan increased its exports to the United States by about 45 percent. Western Europe by about 30 percent. OPEC members by about 15 percent and Latin America by about 25 percent. The United States had a trade imbalance with Japan alone of \$37 billion, triple the 1980 figure. The biggest single deficit, \$18 billion, is in automobiles.

No matter which country benefits for now, an imbalance in trade of such proportions will hurt all the trading nations in the long run.

This comment has been excerpted from The Washington Post Magazine.

LETTERS TO THE EDITOR

Computers Cost Jobs

Regarding the reports "Job Loss to Computers a Wide Fear, Poll Finds" (May 30) and "Unemployment Is Still Primary Worries" by Charles D. Sherman:

I read the results of the survey sponsored by the International Herald Tribune, the Atlantic Institute and Louis Harris International with interest. Unfortunately, however, Nancy Beth Jackson's report gives credit to the elitist nonsense that the true problem of unemployment is the general public's "short-term view."

The average person is seen to live in ignorance about the information revolution, refusing to train in computer know-how and therefore becoming "unable to function in an information economy." The writer contrasts this public shortsightedness with the so-called long-term view of the "policy-makers" who envision a post-industrial society.

T. Stonier, head of the Science and Society Department at Bradford University in England, to the effect that "new information technology would create new jobs" but that "the new opportunities will not mean an increase in employment."

That means that the total number of jobs available will not increase in the future, either. In these circumstances, why should it be expected that a soundly reasoning person retrain himself for professions in which employment is not assured?

We should admit with some pessimism — as I did in "Beyond Monopoly Capitalism and Monopoly Socialism" (Schenkman, Cambridge, Massachusetts, 1978) — that the present crisis is a crisis of our social system and that the high unemployment is not a catharsis by which capitalism soundly reacts to the challenge of the so-called technological-scientific revolution. To believe this would be wishful thinking about the "coming bright future," as in Marxism — unsubstantiated by factual analysis.

G.C. ANKERL, Geneva.

Competition Is Human

In response to the opinion column "The Real Trouble Is Competition Itself" (June 7) by Alfie Kahn:

Every so often competition is pulled out, as if directly from Pandora's box, and blasted to hell and back. But competition can be a rough player drinking together in America, eating together in France and singing together everywhere. It is Martina Navratilova and Chris Evert Lloyd walking off the center court as Roland Garros arm-in-arm, congratulating one another warmly before a rapid audience. It is being able to say, after having done one's best, without humiliation: Wait till next year.

Competition is here to stay. It is a very natural product of a creature with thinking and feeling. So whatever the drawbacks, the problem is how to reform it, not whether to allow it. The issue of competition is serious; its demons are crucial targets. But we must take aim and aim straight.

LEE A. ARCHER 3d, Paris.

MONDAY, JUNE 17, 1985

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EUROBONDS

FRNs With Lids Launched Under an Improved Formula

By CARL GEWIRTZ

PARIS — A lid on how high a floating rate coupon could rise was introduced last week into the Eurobond market. The concept comes close to the ill-fated "mini-max" FRNs of last February, which had a fixed range of minimum and maximum coupons. The four issues marketed under the earlier formula failed to attract much support because the high minimum coupon of 10 percent, which was attractive relative to the 5 to 5 1/2 percent offered on standard floaters, was not enough to offset the relatively low caps of 11 1/2 to 11 3/4 percent.

That upper range just about coincided with the rate those four borrowers would have then had to pay for fixed-rate issues — a situation which investors considered inadequate protection against the possibility of a sudden increase in short-term interest rates. In addition, the margin paid over the London interbank rate — which ranged from 1/4 to 1/2 percent — provided no special added incentive to investors.

The new maxi-bonds — \$200 million for Banque Indosuez and \$400 million for Banque Paribas — have been tailored to take account of these drawbacks. Indosuez sets a maximum coupon of 13 1/16 percent and BFCE 13 percent, close to 3 points more than the French state-owned banks would currently have had to pay for fixed-rate money.

In addition, the margins — 1/2 point over the average of the three-month London interbank bid-offered rate (Limean) for three-month Eurodollars paid by Indosuez and 3/4 point over the three-month bid rate (Libid) paid by BFCE — are attractive. Credit Lyonnais, for example, a week earlier paid 1/16 point over three-month Libor for a classically structured 15-year FRN.

ASSUMING that normal 1/4-point difference between bid-offered rates remains stable, the interest Indosuez is paying is equal to 5/16 point over Libor while BFCE is paying 1/2 point over Libor.

In today's market, these levels look rich and institutional investors responded by racing for the paper. FRNs usually open trading at a discount from the par offering price, in the region of the front-end fees paid to underwriters. These two issues, however, ended the week at a premium with investors offering to pay 100.33.

Why these two issues were so richly priced is explained by the fact that the cost of money to the issuers was substantially below what they seemed to be paying. In effect, the issuers were sharing their savings with investors to assure solid placement of the notes.

The cost saving is directly related to the maximum coupon. The rate caps, which should be viewed as an insurance policy against short-term rates rising beyond 13 or 13 1/16 percent, have been sold to some companies or financial institutions looking for that kind of protection for 12 years — the life of both issues. There is no product available in the financial futures markets that could offer that kind of coverage.

What exactly Indosuez and BFCE did is not being revealed either by them or Lehman Brothers, the investment bank that developed the package. But, in effect, Indosuez and BFCE have either agreed to provide their counterparties with fixed-rate loans at any time over the next 12 years, or the banks may have agreed to compensate their counterparties for the difference between the fixed maximum coupon rate and the three-month interbank rate any time that exceeds the coupon rate.

The cash received for selling this option effectively cuts the borrowing costs of the banks. Indosuez, after including the front-end fee to underwriters of 1/2 percent (or 50 basis points), is paying 2 basis points over Limean for its money, BFCE, including its front-end fees of 30 basis points, is paying 2.5 basis points over Libid.

Elsewhere, Hydro-Quebec's attempt to revive the mismatch coupon formula was not well received. It offered \$200 million of 17-year FRNs with interest pegged at six-month Libid set monthly. If the one-month rate is higher than the six-month rate, interest will be set at the one-month Limean until the normal yield curve is reestablished. Currently the six-month rate is 3/16 point higher, enabling lenders to pocket that as profit. But as total remuneration, in addition to a front-end fee of 35 basis points, that was deemed too thin and the notes ended the week at a discount of 40 basis points.

The Bank of Greece, which offered 500 million Deutsche marks of 10-year FRNs, also traded outside its front-end fees of (Continued on Page 9, Col. 1)

Idle Plants Are Tied To Dollar

U.S. Survey Cites Currency's Rise

NEW YORK — The dollar's strength has been cited by nearly 10 percent of the largest U.S. manufacturers as the main reason their plants are not running at capacity, according to a survey released Sunday by the Conference Board.

Among the hardest hit are producers of nonferrous metal, iron and steel and paper, the U.S. business-research group said. "Where the dollar is damaging American industry, survey results strongly suggest that the impact is severe," said Roger Katsky, chief economist of the board. "For those industries being hurt, meaningful relief would involve a major realignment of exchange-rate relationships."

The dollar has surged more than 70 percent during the 1980s, rebounding from depressed levels, according to the Federal Reserve Board's index of the dollar against the currencies of 10 other industrial countries. That increase has made U.S. goods more expensive to foreign buyers while making imports more affordable for Americans.

A third of the 1,000 largest manufacturing companies questioned in the Conference Board's spring survey said they had more than adequate plant capacity. Of those operating below capacity, 23 percent said the high value dollar was the major reason.

Sixty-three percent of the non-electrical machinery companies blamed the dollar for idle capacity, followed by 43 percent of the iron and steel companies and 38 percent of the paper-product businesses.



Norsk Hydro's president, Torvold Aakvaag, and an ammonia plant in the Netherlands.

Norsk Hydro Focuses on Fertilizer

By Bob Hagerty

International Herald Tribune

LONDON — Fertilizer executives are fond of arguing that their industry is bound to recover from its present slump "because, damn it, the world's got to be fed," as one puts it. For all their pious talk, however, most big Western chemical companies view fertilizer as a savagely competitive, low-profit business and are looking elsewhere for growth.

Three northern European companies see it differently: Norway's Norsk Hydro A/S, Finland's Kemira Oyj and Denmark's Superfos A/S are buying the fertilizer plants and sales outlets that others find unexciting and unprofitable.

Norsk Hydro has been the most ambitious. It has completed recent agreements to acquire operations in France and West Germany. Norsk figures it will

be the world's largest fertilizer company, surpassing even International Minerals & Chemical Corp. of the United States.

"We believe there is a big potential for improving results in this industry by investing in more efficient processes, by improving productivity," said Torvold Aakvaag, Norsk's president. To be more efficient, Norsk believes it needs to be large enough to continue building state-of-the-art plants, which can cost hundreds of millions of dollars.

Others agree. "There will not be many small companies around," predicted John Marshall, head of fertilizer operations for Imperial Chemical Industries PLC, Britain's biggest fertilizer producer.

Unlike most big chemical companies, Norsk always has seen fertilizers as one of its main businesses. The company, which

is 51-percent-owned by the Norwegian government, was formed in 1905 to take advantage of Norway's hydroelectric power in producing fertilizer. Today, Norsk is taking advantage of Norway's oil and gas resources. In 1984 it derived 70 percent of its operating profit from oil, compared with 17 percent from fertilizer and other agricultural products.

Instead of tempting Norsk to forsake the farm, the oil riches have made the company financially strong enough to build a global fertilizer business. And Norway's gas reserves are likely one day to provide feedstock for Norsk's production of ammonia, the most important input for nitrogen fertilizers. "The fastest growth is in nitrogen, where Norsk is strongest," said Jeremy Chantry, a chemical analyst at

(Continued on Page 13, Col. 6)

Energy Market Seen Tightening In the 1990s

PARIS — The world's non-Communist industrialized nations should guard against a false sense of security by abundant energy supplies because the market is likely to tighten in the 1990s, the International Energy Agency has warned.

The Paris-based agency, in its latest review of energy policies of member countries published Monday, also said that the West could once again become vulnerable to pressure from the Organization of Petroleum Exporting Countries as it was in the 1970s. There could be substantial increases in the price of gasoline if supplies are disrupted, the agency noted.

Commenting on the survey's findings, the agency's executive director, Helga Siegel, said the market for oil, coal, natural gas and electricity are being influenced by surplus production capacity. She noted that "paradoxically, the fact that things are getting better could make matters worse in the future."

The total primary energy needs of the 21 IEA member countries is projected to rise by one-third in the next 15 years, she said, and oil demand will rise much more quickly than expected if oil prices remain weak.

The annual report predicts that while the energy market will remain "easy" through the 1980s, sustained economic growth in the last decade of this century coupled with declining oil production in the industrialized world means that the net oil imports of IEA's member countries will rise to around 18 million barrels a day by the end of the century.

The IEA said such a level of imports would imply that sources outside the Organization for Economic Cooperation and Development "would again play a major role in balancing supply and demand. There could again be an upward pressure on oil prices and a risk of massive price increases in the event of even a slight disruption in supplies."

Western governments must continue and in some cases strengthen energy policies, the IEA said. It noted that the present softness of the energy market "may lead to a relaxation of efforts by governments, energy producers and consumers to achieve further progress toward improving the overall energy security of IEA countries."

It recognized that efforts to improve the efficiency of energy use may "be hampered by stable or decreasing energy prices and a lack of political will to set a framework for continued efficiency improvements."

The agency said operators in the oil market "will have to adapt their capacities to changing market conditions while coping with uncertainty about future price developments" and also will have to be prepared for the potential consequences of political instability in major oil-producing regions.

Saudi Cautions About Discounts

United Press International

NEW YORK — Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, has warned OPEC that world oil prices could plunge below \$20 a barrel if his kingdom raises oil output, according to a report Sunday.

Sheikh Yamani, in an interview with Petroleum Intelligence Weekly, an oil journal, said Saudi Arabia, whose oil production shrunk to a 20-year low of less than 2.5 million barrels a day in May, has no alternative but to step up production because of a serious shortage of oil revenues and natural gas. The gas is a by-product of oil production. Saudi Arabia, the largest producer in the Organization of Petroleum Exporting Countries, has the capacity to pump more than 10 million barrels a day.

Sheikh Yamani said that if Saudi Arabia increases its production, oil prices will fall unless other OPEC members reduce output to official quota levels and stop offering illegal price discounts. Official OPEC prices range from \$26.50 to \$29 a barrel.

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Despite M-1 Fears, Fed Is Easing Monetary Policy

By John M. Berry

Washington Post Service

WASHINGTON — The Federal Reserve, worried about what some officials regard as unusually high dangers associated with allowing slow economic growth to continue, apparently is continuing to ease U.S. monetary policy.

The easing is occurring even though the most closely watched measure of the money supply, M-1, is far above target and is likely to stay there for some months to come. The major issue facing central bank policymakers at their next meeting July 9 will be whether to continue to ignore the target for M-1, change it or still try to hit it, several Fed officials say.

Implicit in that choice probably will be a decision about whether the rapid rate of money growth will mean higher inflation in the future, or a willingness to accept that possibility because the alternatives — such as more failures of U.S. financial institutions and companies or a Third World debt crisis — would be worse.

Another important concern at the meeting will be the value of the U.S. dollar on foreign exchange markets.

"The key variable is when and by how much the exchange rate declines," says one senior Fed official, who does not believe economic

growth will pick up very much until the dollar's value starts to fall and the international competitive position of U.S. manufacturers improves.

Market participants are so cer-

tain about the immediate course of Fed policy toward easing that both short- and long-term interest rates fell sharply last week. However, the discount rate, which the central bank charges on loans to financial institutions, remained at 7 1/2 percent. The Fed lowered it from 8 percent on May 17.

The federal funds rate — the interest rate institutions charge on loans of reserves to one another — dropped to about 7 1/4 percent at the end of the week, and the Fed did not intervene in the market to boost the funds rate. Many market participants saw the failure to intervene as a strong sign the central bank was setting the stage for another cut in the discount rate.

Even if that cut does not come, many analysts believe the 10-percent prime lending rate at commercial banks will fall to 9 1/2 percent shortly, probably this week. Some Federal Reserve policy-

makers are concerned about the possible inflationary consequences of a sustained rapid expansion of M-1, the measure of money that includes currency in circulation and checking deposits at financial

institutions. But more of them are worried about the potential consequences of slow economic growth.

In a New York speech recently, Henry C. Wallich, a Federal Reserve governor who has often dissented from policy decisions out of a concern about restraining inflation, described the central bank's dilemma this way:

"The current pace of inflation obviously is not good enough — in a better age, it would have been regarded as unacceptable and would have brought about immediate strong action to curb it. Today, the state of the world makes it difficult to take substantial risks on a slowing of the economy."

"Monetary policy, today more than usually, is beset by constraints on all sides," he said.

Mr. Wallich ticked off some of those constraints: the high value of the U.S. dollar in foreign exchange markets, unemployment, inflation,

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Panama, Bank Panel Agree On Refinancing Package

United Press International

NEW YORK — Panama and a working committee of international banks have announced an agreement on a multiyear refinancing package that includes a total of \$267.4 million in new loans and credit facilities.

Bank of America, which heads the 13-bank committee, said on Friday that in addition to \$60 million in new money, the package calls for \$56.4 million in credit lines, a \$133-million money-market facility and a \$28-million petroleum-import facility for Banco Nacional de Panama.

The banks have agreed to refinance \$603 million of 1985-1986 maturities. Bank of America said the agreement was being sent to the 180 creditor banks for approval.

Panama's total foreign debt, \$3.6 billion, is small compared with other nations' but is one of the highest per capita in Latin America.

The refinancing and loan follow Panama's agreement on an economic program with the International Monetary Fund, which includes a \$120-million, two-year standby credit.

In Panama City, President Nicolas Ardito Barletta said that the agreement "has been an important step."

Mr. Ardito Barletta, who was an official with the World Bank until he was elected president last year, said his government had implemented a series of austerity measures to lower expenditures and had increased government income.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes				Money Rates			
United States	Last Wk.	Prev. Wk.	Chg.	United States	Last Wk.	Prev. Wk.	Chg.
DJ Indus.	1,300.36	1,316.42	-1.29%	Discount rate	7.50	7.50	
DJ Indus. 100	144.67	145.88	-0.83%	Federal funds rate	7.5/16	7.5/16	
DJ Trans.	1,028.94	1,034.94	-0.58%	Prime rate	10	10	
S & P 500	180.93	183.68	-1.63%	Japan			
S & P 500 100	182.30	187.67	-2.90%	Discount	5	5	
NYSSE Comp.	108.56	109.97	-1.36%	Call money	6	6 1/4	
Source: Federal Reserve Bank				90-day interbank	6 1/4	6 1/4	
Britain				6-month interbank	6 1/4	6 1/4	
FTSE 100	1,222.60	1,210.60	-0.99%	Lombard	4	4	
FTSE 100 100	122.26	121.06	-1.04%	Overnight	55/16	5 1/2	
Hong Kong				1-month interbank	57/16	5 1/2	
Hong Kong 100	1,441.97	1,454.35	-0.86%	Bank base rate	12 1/2	12 1/2	
Japan				Call money	7 1/8	7 1/8	
Nikkei DJ	12,685.25	12,653.84	+0.25%	3-month interbank	12 1/2	12 1/2	
West Germany				Dollar			
Dax Jones	1,350.90	1,363.45	-0.93%	Last Wk.	Prev. Wk.	Chg.	
Source: James Capital & Co., London				BK Eng Index	145.00	N.A.	
Currency Rates				Gold			
Currency	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
Australian	1.5176	1.5176		London gold, 100 gms	318.25	318.25	+1.26%
Belgian franc	20.36	20.36		U.S. dollar, 100 gms	318.25	318.25	+1.26%
British pound	1.6467	1.6467		U.S. dollar, 100 gms	318.25	318.25	+1.26%
Canadian dollar	0.7271	0.7271		U.S. dollar, 100 gms	318.25	318.25	+1.26%
French franc	6.5596	6.5596		U.S. dollar, 100 gms	318.25	318.25	+1.26%
German mark	1.3663	1.3663		U.S. dollar, 100 gms	318.25	318.25	+1.26%
Italian lira	1,936.27	1,936.27		U.S. dollar, 100 gms	318.25	318.25	+1.26%
Japanese yen	163.64	163.64		U.S. dollar, 100 gms	318.25	318.25	+1.26%
Netherlands guilder	2.2037	2.2037		U.S. dollar, 100 gms	318.25	318.25	+1.26%
Spanish peseta	166.64	166.64		U.S. dollar, 100 gms	318.25	318.25	+1.26%
Swedish krona	4.6656	4.6656		U.S. dollar, 100 gms	318.25	318.25	+1.26%
Swiss franc	1.4803	1.4803		U.S. dollar, 100 gms	318.25	318.25	+1.26%
U.S. dollar	1.0000	1.0000		U.S. dollar, 100 gms	318.25	318.25	+1.26%
U.S. dollar	1.0000	1.0000		U.S. dollar, 100 gms	318.25	318.25	+1.26%

Hungary Stresses Trade Liberalization

By Henry Tanner

International Herald Tribune

BUDAPEST — Leading Hungarian officials have stressed that their government is determined to accelerate the liberalization of the economy and to make conditions more favorable for trade and joint ventures with Western enterprises.

The officials spoke at a two-day conference sponsored by the International Herald Tribune in Budapest Thursday and Friday. The conference, which was attended by more than a hundred Western businessmen and by about 80 managers and deputy managers of Hungarian cooperatives and enterprises, was believed to be the first of its kind in an Eastern European country. It appeared to be an indication that Hungary wants to improve contacts with Western businesses.

Josef Marjai, the deputy prime minister responsible for the economy, said the government was intent on increasing the number of joint ventures with Western companies, "especially in the field of technology development."

He said conditions for foreign investors would be made "more favorable" and added that there were plans to allow Western companies to repatriate more of their profits. Hungary has 44 joint ventures with Western companies, an increase from 25 at the start of last year, according to Mr. Marjai.

Another speaker, János Fekete, first deputy chairman of the National Bank, said that the government recently made a decision to proceed with "a gradual, step-by-step modernization" of the country's banking system and that specialists in the ministries and the National Bank were now developing practical steps.

"A competitive banking system

can work only if we have realistic prices and wages," Mr. Fekete said, and Hungary has made progress in that direction. "We now have wages that are adequate to performance [of the workers] and prices that are in keeping with the value of the goods."

Among the measures under consideration is the creation of commercial banks with nationwide networks that would compete with each other and the establishment of

some banks "with foreign cooperation."

The government's objective is to make the Hungarian currency, the forint, convertible for commercial transactions, he said. He added that this would not be fully convertible; it would not apply to capital transfers but to trade and profits. He declined to predict a timetable, but said it "certainly" would occur within the second half of the new five-year plan.

PETROFINA

in billions of Belgian francs		1984	1983
Petrofin's consolidated profit		15.5	14.1
Dividends		8.9	6.2
Sales and other revenues		597.9	544.9
Shareholders' equity		82.4	75.9
Net working capital		16.5	16.5
Long-term debt		36.8	34.8
Investment expenditure		45.0	36.0
Net yield on shareholders' equity		22.9%	23.6%
Cash flow to shareholders' equity		67.2%	68.4%

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June 17, 1985

New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price and week	Terms
FLOATING RATE NOTES					
Banque Indosuez	\$200	1997	1/2	100.33	Over 3-month Libor. Maximum coupon 12 1/16%, no minimum. Noncallable. Fees 0.50%. Denominations \$10,000.
Bankers Trust GmbH	\$175	1990	1/2	99.90	Over 6-month Libor. Noncallable. Starting fund to start in 1985 to produce a 2.72-yr average life. Fees 0.16%.
Banque Française pour le Commerce Extérieur	\$400	1997	1/2	100.33	Over 3-month Libor. Maximum coupon 12%, no minimum. Noncallable. Fees 0.30%.
BNP	\$600	1995	0.05	100	Over 6-month Libor. Callable at par in 1988. Initial tranche \$100 million. Fees 0.275%. Denominations \$1.5 million, of which \$250,000 is the initial tranche.
Canadian Imperial Bank of Commerce	\$300	2084	1/2	99.30	Over 6-month Libor. Callable at par in 1990. Fees 0.94%.
Hydro Quebec	\$200	2002	1/2	99.60	Interest pegged to 6-month Libor, but may switch to 1-month Libor if higher than 6-month Libor. Callable at par in 1988. Fees 0.39%. Denominations \$10,000.
Royal Bank of Canada	\$350	2005	1/16	99.36	Over 1-month Libor. Callable at par in 1990. Fees 0.75%. Denominations \$10,000.
Abbey National Building Society	£ 50	1986	1/16	100	Over 3-month Libor. Floating rate certificates of deposit.
Bank of Greece	DM 500	1995	1/2	98.90	Over 6-month Libor. Callable at par in 1990 and redeemable at par in 1992. Fees 0.70%.
FIXED-COUPON					
Alcoa of Australia	\$ 80	1992	11	97.88	Callable at 101 in 1990.
Equitable Life Financing Corp.	\$100	1992	10 1/2	98.00	Callable at 101 in 1990.
Federated Department Stores	\$100	1995	10 1/2	100	Noncallable.
Japan Air Lines	\$100	1995	10	98.63	Callable at 101 1/2 in 1992.
New Zealand	\$200	1995	10 1/2	98.40	Callable at 101 1/2 in 1992.
New Zealand	\$150	2000	10 1/2	97.75	Callable at 101 1/2 in 1997.
Queensland Government Development Authority	\$100	1995	10 1/2	98.63	Noncallable.
Export Import Bank of South Korea	DM 100	1990	7 1/2	98.25	Noncallable.
Int'l Finance Corp.	DM 90	1995	7 1/2	100	Private placement.
Oesterreichische Industrieverwaltung	DM 150	1995	7	99 1/2	Callable at 101 1/2 in 1992.
Société Luxembourgeoise de Centrales Nucleaires	DM 150	1995	7 1/2	99 1/2	Callable at 101 in 1993.
Bank Mees & Hope	ECU 50	1992	9	open	Noncallable. Price to be set June 21.
C. Itoh	ECU 60	1992	8 1/2	open	Noncallable.
Union Bank of Norway	ECU 70	1995	9	100	Callable at 101 1/2 in 1992.
Mofina	DF 100	1990	7	99 1/2	Noncallable private placement.
Citicorp Australia	Aus\$ 40	1988	13 1/2	100 1/2	Noncallable.
CSR Finance	Aus\$ 40	1990	13 1/2	100 1/2	Noncallable.
Elders IXL	Aus\$ 45	1990	13 1/2	100 1/2	Noncallable.
Société Générale Australia	Aus\$ 30	1988	13 1/2	100 1/2	Noncallable.
Société Générale Australia	Aus\$ 20	1990	13 1/2	100 1/2	Noncallable.
BP Capital	NZ\$ 50	1988	16	100	Noncallable.
Compagnie Française des Pétroles	NZ\$ 55	1990	16 1/2	100	Noncallable.
Gasunie	NZ\$ 50	1988	16	100	Noncallable.
Mortgage Bank of Denmark	NZ\$ 50	1990	16 1/2	100	Noncallable.
Noriske Industribank	NK 200	1993	10	open	Callable at 101 1/2 in 1990.
WARRANTS					
Bergen Bank	0.05	1990	—	\$15	Each warrant is exercisable at par into a \$1,000 note of bank's 10 1/2% of 1992, callable at par in 1990 if less than \$10 million worth of notes are raised.
EQUITY-LINKED					
Nippon Kangyo Kokumaru Securities	\$ 50	2000	3	100.00	Callable at 103 in 1990. Convertible at 920 yen per share, at 3.37% premium.
Nippon Mining	\$ 50	1990	7 1/2	103.25	Noncallable. Each \$5,000 note with one warrant exercisable into shares at 477 yen per share and at 251.00 yen per dollar.
Sandox Holdings - Nederland	\$100	1997	open	100	Coupon indicated at 4 1/2-4 1/2%. Callable at 103 1/2 in 1990. Convertible into participation certificates at an expected 10% premium. Terms to be set June 21.
Thomson-CSF	\$ 75	2000	7	100	Callable at 104 in 1988. Convertible at 600 francs per share, at 9.5% premium.
Fujitsu	DM 300	1990	2 1/2	100	Semiannually. Callable at 101 in 1989. Convertible at 1,085 yen per share and at \$2.20 yen per dollar.
Tricentral	£ 35	1992	11	100	Noncallable. Also 125 five-year warrants, priced at 34,024 pence each, exercisable into shares of a 16 1/2% premium.

Improved Formula for FRNs With Lids

(Continued from Page 7)

70 basis points, ending the week at a discount of 1.1 percentage points as the 14-point margin over six-month Libor was deemed too skimpy.

In the sterling market, Abbey National issued the first floating rate instrument to be offered by a building society. Expected changes in the law should permit these institutions to tap the medium-term FRN market in numbers later this year. Meanwhile, Abbey is offering one-year floating rate certificates of deposit with interest set at 1/16-point over the three-month interbank bid rate.

The feature of the fixed-coupon market was the continuing emphasis on longer-dated paper—mostly 10 years. Bankers noted that the cost of shorter-dated funds in New York was much cheaper than the Eurobond market could offer, while the intermediate-range rates in the two markets were about comparable.

But Eurobond investors were in no rush to buy as the coupon levels assumed a further cut in the discount rate. While most analysts are convinced this is imminent, the anticipatory pricing makes the new issues vulnerable to sharp setbacks if the Fed fails to act.

One way to minimize the risk is through the options market and Bergen Bank last week offered 50,000 warrants at \$15 each. The warrants have a life of five years, during which time holders can lay out \$1,000 to buy 10% percent non-callable bonds maturing in 1992. Thus, for an immediate outlay of \$15 investors gambling on further rate declines can lock in the right to buy the bonds.

The latest issuer to tap the classic straight market was Federated Department Stores Inc., whose U.S. debt is rated double-A. It offered \$100 million of 10-year non-callable bonds at par bearing a coupon of 10 1/2 percent—about 25 basis points over the yield level of comparably dated Treasury bonds.

Also in the market with 10-year offerings were Japan Air Lines Co. with a coupon of 10 percent priced at a premium to yield 9.86 percent; New Zealand at 10 1/2 percent, and Queensland Government Development Authority at 10 1/2 percent offered at a discount to yield 10.29 percent.

The favorable comparison of intermediate-range rates between New York and the Eurobond market could easily evaporate with New York pulling sharply ahead, some bankers believe, as a result of Japan's liberalization of its securities market. The latest measures include permission for securities houses to sell domestically stripped U.S. Treasury securities. These are home-made zero-coupon bonds, with banks buying Treasury securities and then selling each coupon payment and the final maturity payment as separate zero-coupon issues.

A change in the tax law on Jan. 1 making the gains earned on zeros considered as income rather than capital gains, has dampened Japanese demand for zeros. But bankers believe there may be considerable

appetite for 20- to 30-year zeros which put repayment after an investor's retirement—when income is sharply reduced—and this could drive Japanese securities houses to buy large blocks of long-term Treasury paper.

Concerning the Eurobond market, the Ministry of Finance informed bankers last week that they may now market floating rate notes, zero-coupon bonds, deep discount bonds, dual currency bonds and securities with currency options.

While the gains on zeros are to be subject to income tax, gains on deep discount bonds are considered capital gains, which are not taxed. Information was not immediately available on what level discount separates a zero from a deep-discount bond.

The high-coupon bonds denominated in New Zealand and Australian dollars suffered a setback last week, as an overflow of issues caused prices to drop sharply. The excess resulted from borrowers swapping these issues—which are low cost compared to what domestic borrowers in those countries have to pay—into floating rate dollars.

Michelin Considers Proposal For Tire Plant in Gulf State

MANAMA, Bahrain—Gulf investors are negotiating with France's Michelin & Cie. to set up a joint-venture tire plant in Bahrain or Saudi Arabia, business sources said Sunday.

They said private investors meeting last month provisionally chose Michelin from a number of manufacturers and were now discussing several issues with the company, including shareholding arrangements and technology.

The cost of the plant had not been fixed, but one source said it might be around \$300 million. The

Gulf Organization for Industrial Consulting, a Qatar-based group funded by Gulf governments, conducted a study suggesting a price of \$500 million, but the sources said that was now thought too high.

After negotiating with Michelin, the businessmen will still have to commission a feasibility study before launching the factory.

Industry sources said Michelin was likely to build a plant in joint venture with Saudi Arabia's National Industrialization Corp. to produce butadiene-isoprene, used in the manufacture of synthetic rubber.

FRNs Play Substitute For Some Bank Credits

By Carl Gewirtz
International Herald Tribune

PARIS—The role the floating rate note market plays as a substitute for syndicated bank credits was made more transparent last week when the West German branch of Bankers Trust tapped the market on behalf of Isveimer, Italy's regional development agency.

The bank issued \$175 million of five-year notes bearing interest at an eighth of a percentage point above the six-month London inter-

bank offered rate. But responsibility for the payment of interest and principal is entirely Isveimer's because it is the guarantor.

The agency could not issue notes in its own name since the borrowing would have been subject to Italian withholding taxes on interest payments. Thanks to a tax agreement between West Germany and Italy there is no tax liability on this so-called "pass-through" construction with the issuer being a West German entity.

Officials at Bankers Trust say this structure of syndicated loan creates a more negotiable instrument than the transferable loan certificates that are now used on standard syndicated credits. There is no active secondary market in TLCs and trading is limited to the roll-over dates of the loans, whereas Isveimer's loan can be traded like any other floating rate note.

The Isveimer notes have an average life of 2.7 years as a sinking fund starts in November, 1986. The continuing trend to transform bank commitments into marketable securities was best illustrated last week by the \$600-million floating rate notes issued by Banque Nationale de Paris. The aim of this operation is to create a \$500-million standby credit that underwriters are obliged to provide but that they can immediately sell off.

This is achieved by having underwriters put up only one-sixth of the face value of the notes, or \$100 million. The notes are denominated in units of \$1.5 million and the cash outlay of underwriters is \$250,000. They are paid 0.05 percent, or five basis points, over Libor on the total amount, which means they will be earning 30 basis points over Libor on actual initial disbursement.

Earnings on subsequent cash outlays will be an effective 15 basis points over Libor as BNP will issue its paper to the banks at a discount of 99 during the first year, rising by 10 basis points each year during the 10-year life of the facility.

The BNP notes are registered, meaning BNP knows which banks are committed to providing the cash for subsequent drawings. Holders of the registered notes can sell that paper only to banks named in a list supplied by BNP. Subsequent drawings by BNP will be in the form of bearer FRNs, which the banks can then immediately sell in the FRN secondary market.

The main criticism of this formula is that it is less flexible than the standard standby credit, which allows a borrower to draw, repay and draw again continually during the lifetime of the facility. In this case, once BNP draws on the backup the remaining commitment of the underwriters is permanently reduced.

And once the bearer notes are issued they remain permanently outstanding unless called by BNP. One critic disputed labeling the operation as a backup facility, arguing that it really is a loan with a 10-year drawdown period.

The other criticism is the relatively low cost. Underwriters are reluctantly willing to provide low-cost backup credits to companies or state agencies with whom they hope to do other, more profitable business. But low-cost backups for other banks are just seen as unprofitable. This means that some very large institutions have declined the invitation to join the BNP facility. However, Credit Suisse First Boston, managers, say the overall response has been quite favorable and the facility will be syndicated without any difficulty.

Consolidated Trading Of AMEX Listing

Week ended June 14

Symbol	Price	Change	Volume	Open	High	Low	Close
IBM	125.00	+1.00	1,200,000	124.00	126.00	123.00	125.00
GE	45.00	+0.25	500,000	44.75	45.50	44.50	45.00
MSFT	35.00	+0.50	800,000	34.50	35.50	34.00	35.00
GOOG	250.00	+5.00	100,000	245.00	255.00	240.00	250.00
DIS	25.00	+0.25	300,000	24.75	25.25	24.50	25.00
INTL	15.00	+0.10	200,000	14.90	15.10	14.80	15.00
AMZN	18.00	+0.10	150,000	17.90	18.10	17.80	18.00
WMT	12.00	+0.05	100,000	11.95	12.05	11.90	12.00
CVS	10.00	+0.05	80,000	9.95	10.05	9.90	10.00
WYNN	8.00	+0.05	60,000	7.95	8.05	7.90	8.00
UNH	7.00	+0.05	50,000	6.95	7.05	6.90	7.00
CVX	6.00	+0.05	40,000	5.95	6.05	5.90	6.00
MRK	5.00	+0.05	30,000	4.95	5.05	4.90	5.00
PFIZER	4.00	+0.05	20,000	3.95	4.05	3.90	4.00
WATSON	3.00	+0.05	10,000	2.95	3.05	2.90	3.00
WATSON	2.00	+0.05	5,000	1.95	2.05	1.90	2.00
WATSON	1.00	+0.05	2,000	0.95	1.05	0.90	1.00

Treasury Bills

Term	Rate	Yield	Price	Change
4-week	7.25	7.25	100.00	0.00
8-week	7.25	7.25	100.00	0.00
13-week	7.25	7.25	100.00	0.00
17-week	7.25	7.25	100.00	0.00
26-week	7.25	7.25	100.00	0.00
38-week	7.25	7.25	100.00	0.00
52-week	7.25	7.25	100.00	0.00
1-year	7.25	7.25	100.00	0.00
2-year	7.25	7.25	100.00	0.00
3-year	7.25	7.25	100.00	0.00
5-year	7.25	7.25	100.00	0.00
10-year	7.25	7.25	100.00	0.00

The activity of BFCE in 1984

Results for the 1984 financial year
Annual Shareholders Meeting
May 14, 1985

The balance sheet total for "France and foreign branches" rose to 288.3 billion francs, an increase of 26.4 billion francs (+ 10%) in relation to the total recorded at the end of 1983.

• **institutional activities** comprising the bank's specific involvement in export financing increased slightly (4.7 billion francs or + 2.8%) due to a few number of short and medium-term credits while long-term buyer and supplier credits on the contrary progressed 45.2% similar to the expansion during 1983.

• **commercial activities**, which comprise all interbank lending and loans to customers, expanded at the rate of 25.8%.

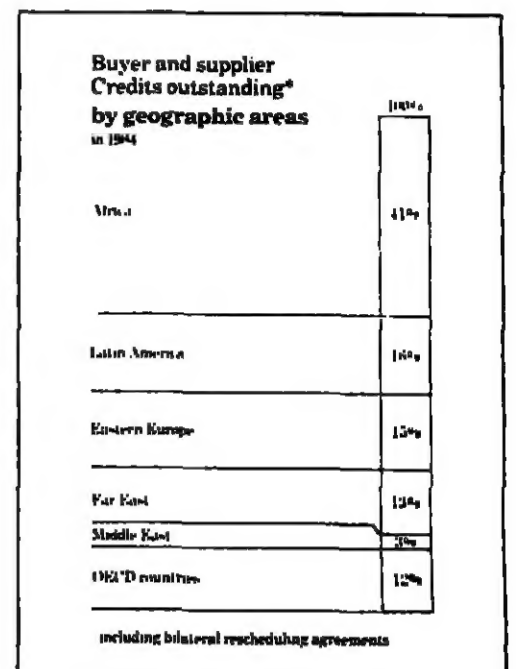
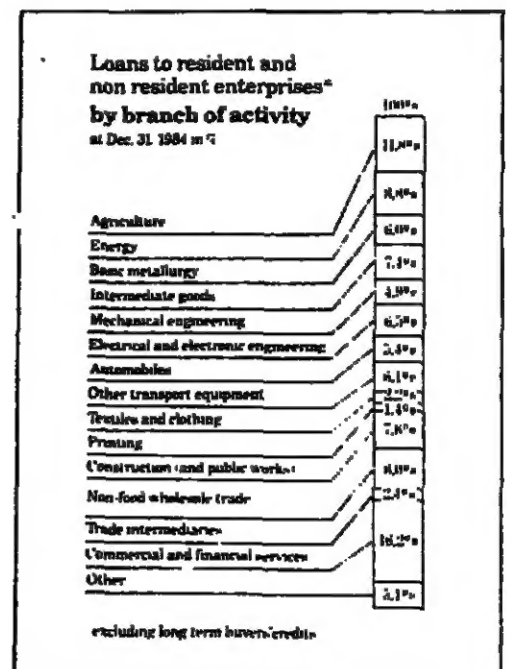
— The operating income from banking activities rose to 1893 million francs, an increase of 11.2%. Taking into account an increase in general expenses, which was limited to 7.5%, operating income came to 699 million francs, progressing 16.2%.

— After appropriation of 608.9 million francs to provisions for "sovereign risks" and "customer risks", the financial results for 1984 showed a net profit of 56,890,000 francs, compared with 53,136,000 francs in 1983, or an increase of 7%.

— Allocation of the net profit included distribution of the statutory dividend of 5%, to which was added a complementary dividend of 1%, the legal and general reserves having been allocated an additional 13 million francs.

— As a result of these allocations, total shareholders' equity and long-term resources of the bank rose to 5.6 billion francs as compared to 4.9 billion francs reported at the end of 1983.

The Annual Report from which to above figures have been extracted may be obtained from the Département Information, Etudes et Développement, Banque Française du Commerce Extérieur, 21 Boulevard Haussmann, 75009 Paris, France.



This advertisement appears as a matter of record only

New Issue
May, 1985

PHILIPS

PHILIPS INTERNATIONAL FINANCE S.A.

(Established in Luxembourg)
R.C. Luxembourg B 7334ECU 75,000,000
9 per cent. Bonds due 1993Unconditionally Guaranteed by
N.V. PHILIPS' GLOEILAMPENFABRIEKEN
(Established at Eindhoven, The Netherlands)

BANQUE INTERNATIONALE A LUXEMBOURG S.A.

CRÉDIT LYONNAIS

KREDIETBANK INTERNATIONAL GROUP

ALGEMENE BANK NEDERLAND N.V.

AMRO INTERNATIONAL LIMITED

BANCA COMMERCIALE ITALIANA

BANK BRUSSEL LAMBERT NV

COMMERZBANK AKTIENGESELLSCHAFT

CREDIT SUISSE FIRST BOSTON LIMITED

DRESDNER BANK AKTIENGESELLSCHAFT

GENERALE BANK

SOCIÉTÉ GÉNÉRALE

Henry Ansbacher & Co. Limited

Julius Baer International Limited

Banca Nazionale del Lavoro

Banco di Roma S.p.A.

Bank Cantrade Switzerland (C.I.) Limited

Bank Leu International Ltd.

Bank Mees & Hope NV

Bank of Tokyo International Limited

Bank J. Vontobel & Co. AG

Banque du Benelux S.A.

Banque Française du Commerce Extérieur

Banque Générale du Luxembourg S.A.

Banque Indosuez

Banque de Luxembourg S.A.

Banque Nationale de Paris

Banque Paribas Capital Markets

Banque Populaire Suisse S.A. Luxembourg

Barclays Merchant Bank Limited

Baring Brothers & Co. Limited

Bayerische Vereinsbank Aktiengesellschaft

Berliner Handels- und Frankfurter Bank

Caisse Centrale des Banques Populaires

Caisse d'Epargne de l'Etat (Banque de l'Etat), Luxembourg

Caisse des Dépôts et Consignations

Caisse d'Epargne de l'Etat (Banque de l'Etat), Luxembourg

CIBC Limited

Citicorp International Bank Limited

(Continued from Page 8)

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When

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Philips Business Systems took care of the computers, wordprocessors, telephones and other office automation systems for the film's numerous office scenes.

ROGER MOORE AS JAMES BOND AND PATRICK MACNEE AS TIBBETT FILMING AT PINWOOD STUDIOS

Where would Bond be without Philips?

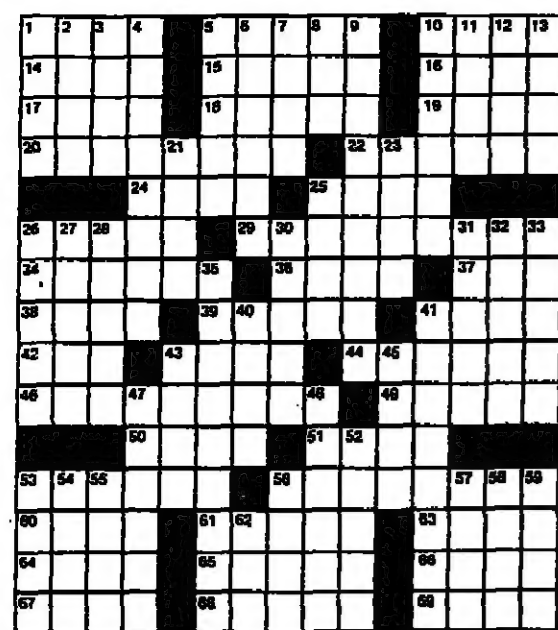


James Bond. The sure sign of great film entertainment.
Philips. The sure sign of innovation.

PHILIPS

NASDAQ National Market

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1 Bang preceder
5 Some
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14 Irish king's
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15 Yule visitor
16 Cartoonist
17 Shari or
Bradley
18 Electrician, at
times
19 Kind of edition
20 Defense fence
22 Hung loosely
24 Fork part
25 Fissionable
unit
26 Form of
protest
28 Beginner
34 Future M.D.
36 Woman, juris-
prudentially
37 Group of
whales
38 Let up
39 Bizarre
41 Sidekick
42 An A.B.A.
member
43 Radial, e.g.
44 Tempestuous
46 Ratiocination
49 Park
50 Colo.
51 Energy units

DOWN

1 Octagonal sign
2 Moslem
3 Soviet sea
4 Nautical
5 Syne, today
6 Kind of race or
voyage
7 As to
8 Sault—
Marie
9 Dickens novel
10 Garlicy
sausage
11 Shawl

12 meridiem
13 Nailed
obliquely
21 Triangle ratio
23 Routine
25 Affirm
26 Blade of grass
27 Angry
28 Seed covering
30 Frequently
31 Estranged
32 Singer Mel
33 Mary Baker
and Nelson
35 Up the river
36 "Exodus"
author
41 Exciting
moment at the
track
43 Ran hastily
45 X's
47 One making
dispatches
48 Give under-
the-table lucre
52 Viper or
summer
53 W.W.I. plane
54 Mixture
55 Stem joint
56 Gretzky's
milieu
57 Evangelist
Roberts
58 Some votes
59 To be, to
Brutus
62 — Palmas

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DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

SWYEN
WYOH
DEFILD
TAISER



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: _____

Friday's Jumble: CHAFF SUED HERMIT LOUNGE. Answer: What the soprano's "solo" was—"SO HIGH."

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	26	19	16	32	25
Amsterdam	20	15	16	32	25
Antwerp	20	15	16	32	25
Berlin	20	15	16	32	25
Bombay	32	25	32	25	18
Buenos Aires	20	15	16	32	25
Calcutta	32	25	32	25	18
Canton	32	25	32	25	18
Cebu	32	25	32	25	18
Colon	32	25	32	25	18
Hankow	32	25	32	25	18
Hong Kong	32	25	32	25	18
Kobe	32	25	32	25	18
London	20	15	16	32	25
Manila	32	25	32	25	18
Medan	32	25	32	25	18
Osaka	32	25	32	25	18
Shanghai	32	25	32	25	18
Singapore	32	25	32	25	18
Tientsin	32	25	32	25	18
Yokohama	32	25	32	25	18

MIDDLE EAST

Amman	32	25	32	25	18
Baghdad	32	25	32	25	18
Beirut	32	25	32	25	18
Jerusalem	32	25	32	25	18
Tel Aviv	32	25	32	25	18

OCEANIA

Auckland	20	15	16	32	25
Sydney	20	15	16	32	25

MONDAY'S FORECAST: CHAFF SUED HERMIT LOUNGE. Answer: What the soprano's "solo" was—"SO HIGH."

PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



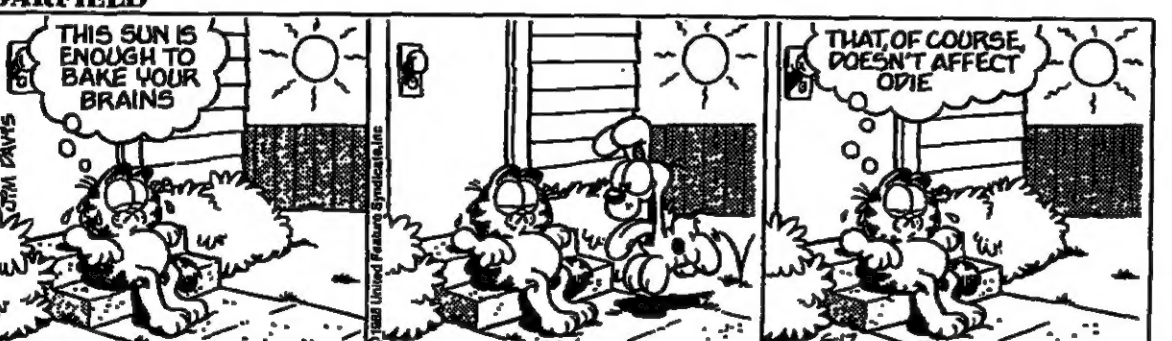
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REX MORGAN



GARFIELD



SCOREBOARD

Tennis

DAVIS CUP QUALIFYING EUROPEAN ZONE 2. Second round. Denmark 3, Belgium 0. (1st round: Denmark 3, Belgium 0.)

AS CLAUDIA BISHOP APPEARS AT DR. MORGAN'S OFFICE FOR HER FIVE O'CLOCK APPOINTMENT, SHE IS GREETED BY JUNE GALE.

COME IN, MRS. BISHOP! YOU'VE BEEN HERE FOR A FEW MINUTES!

IN THE MEANTIME, WILL YOU PLEASE FILL OUT THIS MEDICAL HISTORY FORM? IT'S FAIRLY BRIEF!

I'VE BEEN IN PERFECT HEALTH! I HOPE MY HUSBAND HASN'T LIED TO YOU TO BELIEVE OTHERWISE!

THAT, OF COURSE, DOESN'T AFFECT OPINION.

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BOOKS

THE DANGEROUS SUMMER

By Ernest Hemingway. Introduction by James A. Michener. 228 pages. \$17.95. Charles Scribner's Sons, 597 Fifth Avenue, New York, N.Y. 10017.

Reviewed by Michiko Kakutani

It is immediately clear why bullfighting exerted such a visceral hold on Ernest Hemingway's imagination. Bloody yet magisterial, the sport dramatized his own obsessions with violence and death, and it also struck him as one of the ultimate tests of a man's ability to sustain "grace under pressure." Like big-game hunting, boxing and combat, bullfighting seemed to personify the aggressively masculine values that he championed in his fiction and his life, and he came to regard it as an art—the art of "killing cleanly," with courage and with style.

"Any man can face death," he wrote in "The Dangerous Summer," "but to bring it as close as possible while performing certain classic movements and do this again and again and again and then deal it out yourself with a sword to an animal weighing half a ton which you love is more complicated than just facing death. It is facing your performance as a creative artist each day and your necessity to function as a skillful killer."

Hemingway, of course, had already written a big, detailed chronicle of bullfighting, published in 1932 as "Death in the Afternoon," and in 1959, Life magazine asked him to return to Spain, return to the scene of his youthful exploits, and cover a spectacular mano a mano duel between two matadors—Antonio Ordóñez and his brother-in-law, Luis Miguel Domínguez. Although the assignment was for a 10,000-word article, Hemingway turned in a rough draft of 120,000 words—out of that sprawling manuscript were edited the Life piece and this current volume. According to an obtuse and oddly self-serving introduction by James Michener (who spends several pages reminiscing about how he once "stuck his neck out" by vouching for the aging Hemingway's talent), the more technical passages

about bullfighting were edited out, leaving "an honest rendering of what was best in this massive affair."

Michener himself admits to feeling that Hemingway "tried to hang far too much on the slender, esoteric thread of one series of bullfights," and he strains to find reasons to justify this book: he quotes a punctuation-less passage that, he says, "reminds us of the sparse way [Hemingway] worked and of his refusal to use commas," and argues that "these pages are instructive regarding a minor brouhaha that involved his friend A. E. Hotchner." Certainly this discursive, flaccid volume offers the reader little else in the way of satisfaction—except an unnecessary and unflattering portrait of Hemingway in decline, his masculine esthetic hardening into macho posturing; his fine, spare use of language dwindling into empty mannerism.

A few of the action sequences in "The Dangerous Summer"—particularly those describing the fierce, balletic contest that took place in Malaga—demonstrate Hemingway's old gift for narrative. But vast stretches of this book are laid down in painful pastiches of the writer's famous style.

"Mary had a really bad cold," he writes of his wife. "She tried to get rid of it but the fever had been too mixed up and the hours too crazy and the fights starting so late had given the small wind that comes down from the Sierras that they say will kill a man but not blow out a candle too many chances at her." He almost invariably describes the matadors as brave and good and courageous; the bulls, as either fast and fine, or slow and cowardly. There are endless descriptions of food and drink and the weather, and dashed-off sketches of the landscape that have none of the immediacy of similar passages in "Death in the Afternoon."

Even more embarrassing are the sections where Hemingway goes vent to the bullying, bigoted side of his nature. He puts women in their place—"It's a man's fiesta and women at it make trouble." He makes demeaning ethnic cracks—"If you want to travel gay, and I do, travel with good Italians." And he glorifies dumb, dangerous games—"At the party Antonio held cigarettes in his mouth for me to shoot the ashes off."

The objectivity that made Hemingway's early writing so lucid is gone; indeed the narrative is thoroughly skewed by his willful siding with Ordóñez over Domínguez. Apparently Hemingway himself, worried that he'd been unfair to Domínguez, Carlos Baker noted in his biography that Hemingway "regretted having made 'such a mess' of the story—and he would have, undoubtedly, opposed publishing 'The Dangerous Summer' as a book. Indeed the reader, too, must question the decision, on the part of his estate and his publishers, to issue a volume that does little but underline, again, the degree to which Hemingway's talent and psyche had come unraveled."

In the end, though, it is unlikely to have the slightest effect on the author's reputation. Hemingway believed that a writer is judged on the sum total of his work; and even such a flimsy book as this cannot detract from the achievement of "The Sun Also Rises" and his glorious, early stories.

Michiko Kakutani is on the staff of The New York Times.

Solution to Friday's Puzzle

HARD TRAMP SHOP	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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SPORTS

Scrambling, Chen Widens to 2-Shot Lead in Open

Compiled by Our Staff From Dispatches
BIRMINGHAM, Michigan — Alfred Hitchcock would have loved Tze-Chung Chen.

The only suspense left in a damp and dreary United States Open golf championship at the Oakland Hills Country Club is being provided by the slender, 26-year-old professional from Taiwan.

Although he threatens to become the first wire-to-wire winner since Tony Jacklin in 1970, Chen is still keeping fans — among them the 19 million Taiwanese he says are rooting for him — on pins and needles as he escapes from one precarious spot after another on this legendary course.

Playing in a steady rain that became colder and windier as darkness neared, Chen shot a 1-under-par 69 Saturday to extend his lead to two strokes over former champion Andy North.

If Chen holds his lead, he will join Walter Hagen (1914), Jim Barnes (1921), Ben Hogan (1953) and Jacklin as winners who have led after every round.

Chen's 54-hole score of 203 equaled the Open record set by George Burns in 1981 at Merion outside Philadelphia. Burns did not win, however, which provides more suspense for Sunday.

North, who sank a 60-foot (18-meter) putt on the 16th hole for his only birdie of the day, shot 70/205. North won the 1978 Open at Cherry Hills in Denver, but has not come close to winning anywhere since.

Dave Barr, with a 70, was three shots behind North. Rick Fehr, the mini-tour player from Seattle, shot 73/209; they are the only other players under par after three rounds.

Still in the hunt for the 85th U.S. Open crown are a strong group at 210: British Open champion Severiano Ballesteros of Spain, following a third-round 69; Tom Kite (71) and South African Denis Watson (73).

Chen, who has not won in two years on the U.S. tour, although he recently took both the Korea and Japan opens on the Asian tour, has led from the second hole of Thursday's opening round. There, he hit a three-wood shot from the fairway that carried 256 yards (234 meters) and rolled into the cup for the only double eagle in U.S. Open history.

Friday, Chen maintained his one-shot lead with a second straight subpar round, a 69 putting him at 134 for 36 holes after an opening 65 that tied the course record.

He started the second round without hitting a drive into any of the first six fairways but still went two under par in that stretch. On the first two holes he drove into fairway bunkers, but brilliant recovery shots left him with a short putt for par at each. "Those," said Chen, "were great pars."

He parred the par-3 third, hitting the green and two-putting. Then he missed the fourth fairway, going into deep rough behind a tree. He managed to hit an iron over a tree, but left his ball short of the green and 20 yards from the hole. No problem: Chen chipped the ball into the cup for his first birdie of the day.

At No. 5, he again missed the fairway, going into the right rough, then hit a three-iron shot short of the green, put a pitching wedge shot seven feet short and dropped the putt for par. 4. Another drive into the right rough, at the par-4 sixth, was followed by an eight-iron shot to the green and a 12-foot putt for a birdie.

His tee shots straightened out after that. Despite bogeys at Nos. 8 and 16, Chen birdied the 15th with a 40-foot putt to finish one under for a birdie.

For a time Saturday it appeared that the 5-foot-10, 140-pounder (1.77 meters, 64 kilograms) might run away with a tournament already denuded of most of its would-be celebrities. He quickly

made two birdies and led by four shots as first North and then Jay Haas fell back. Haas, who started the day one shot behind Chen, struggled home with a 77.

But Chen made two bogeys on the back nine to drop back closer to North. With Jack Nicklaus, Tom Watson, Craig Stadler, Bernhard Langer, Lee Trevino and Ben Crenshaw all having missed the cut at 146, the 85th U.S. Open needed all the final-day drama it could find. Nicklaus had not previously failed to survive an Open cut since 1963.

Chen began his third-round escapes on the 527-yard, par-5 second. He drove into the rough — heavier, thicker and wetter than earlier in the week — and had to lay up with his second shot. Still in the heavy grass, he chipped up and sank a three-foot putt for a birdie.

"That was good start," he said later. "But on the next hole, I was

lucky." He hooked his three-iron tee shot at the 199-yard par-3, the ball landing in deep grass and behind a low-hanging branch. Chen holed an eight-iron and punched the ball toward the green. It hit in the grass, but skipped onto the putting surface and rolled up next to the hole to give him an easy par putt.

"When I saw my ball, all I wanted to do was get it to the green and make two putts and take a bogey," Chen said. "I wasn't even thinking of making a par. I was very lucky."

From then on he displayed a variety of recovery shots that produced par. On one hole he lifted a seven-iron shot from the rough and over a huge weeping willow tree. On another, he nearly holed out with a punched shot from a bunker.

"After the sixth hole, I started hitting my driver good," he said. "I hope I won't have such a slow start, like I had Friday and Saturday, on

the first four or five holes Sunday. It is hard on my nerves."

On No. 8, one of Oakland Hills' monster par-4s — 439 yards and uphill — Chen hit a driver and eight-iron that left him with a four-foot putt for his second birdie.

The magic disappeared momentarily on the 10th hole, when he came up short on the 454-yard par-4, then chipped long for his first bogey. He got the stroke back on the next hole by rolling home a double-busting 35-foot putt for birdie.

His margin was four strokes until North made an even longer putt on the 16th hole. "If I didn't find the hole, it probably would have gone 15 feet by," North said. "I just lagged it down over the hill with about a three-foot break when it got on track. You get some like that once in a while, and it came at a good time."

At the 17th hole, with water dripping off his white cap, Chen made another great shot, a long sand wedge blast from the bunker that pulled up less than two feet from the hole for a likely par. He missed the putt.

"I could see the water dripping off my cap, but I thought, 'Why stop, it's such a short putt I can't miss.' I guess I lost my concentration."

Chen was hoping for rain again Sunday. "In Taiwan, it rains like this from November to April, and we play all the time," he said. "If the weather is too perfect, someone might shoot 60 or 61. If it is not perfect, it would be more difficult. I think rain would be nice."

Ballesteros, one of a handful to break par in Saturday's rain, commented to a reporter: "Anybody can play in the sunshine — even you."

(LAT, NYT)

Orioles Win a Third, on Weaver's Intuition

Compiled by Our Staff From Dispatches

BALTIMORE — The genius was back at work, even though the rehired manager, Earl Weaver, did not recall immediately after the game why he had used rookie Larry Sheets as a pinch hitter.

Sheets was in a 3-for-23 slump Saturday when his RBI single capped a three-run rally in the sixth.

SATURDAY BASEBALL

inning that put Baltimore ahead to stay in a 7-5 victory over the Milwaukee Brewers.

Weaver relies heavily on statistics, but after checking them he said they were not involved in his decision to use Sheets for switch-hitter Mike Young.

"It wasn't one guy (Sheets) who had been playing, and the other hadn't been playing too much," Weaver said. "That's what it boiled down to, and it turned out all right, didn't it?"

Sheets confessed he was a little surprised to be used in that situation, but contended: "I haven't been swinging the bat that badly."

The victory was the Orioles' third in a row since Weaver ended 2½ years of retirement to rejoin them as a replacement for the fired Joe Altobelli, although Weaver was not in the dugout for the first game of his new tenure.

Fred Lynn began Saturday's rally with a single and scored on Eddie Murray's eighth homer for a 4-4 tie. Murray's homer, his first this year as a right-handed batter, finished starter Ted Higuera.

Reliever Bob Gibson issued two walks around a sacrifice bunt before Sheets singled to center on a 2-2 pitch, scoring Cal Ripken Jr.

Ripken hit his 10th homer and Gary Roenicke his fifth for Baltimore's final two runs, in the eighth. The Orioles had not won three in a row since May 1, while Milwaukee lost its fourth straight.

Roenicke said the players are in good spirits because of Weaver's return.

Red Sox 7, Blue Jays 5; in Bos-



Earl Weaver on Saturday
"It turned out all right, didn't it?"

"We are much more relaxed now," he said. "Everybody on the team is excited and looking forward to coming to the ballpark. That hasn't happened here in a while. It's a payoff or World Series atmosphere."

Tigers 10, Yankees 8; Darrell Evans had five hits, including a two-run homer, and drove in three runs as Detroit won before a Yankee Stadium regular-season record crowd of 55,605. It was the Tigers' sixth straight victory; New York has lost four in a row.

Red Sox 7, Blue Jays 5; in Bos-

ton, Rich Gedman and Marty Barrett drew bases-loaded walks off reliever Gary Lavelle in the eighth, breaking a 5-5 tie and beating Toronto. It was the Red Sox's 15th victory in their last 17 games.

White Sox 3, Angels 2: In Anaheim, California, Harold Baines doubled home Rudy Law from first base with two outs in the seventh to give Chicago its eighth victory in nine games.

A's 8, Indians 6: In Cleveland, Dave Kingman drove in four runs and Jay Howell recorded his 13th save for Oakland. Kingman raised his RBI total to 38.

Mariners 2, Royals 1: In Seattle, Jack Perconte's fourth-inning infield single with the bases loaded drove in the winning run against Kansas City. The Mariners' infield had 21 assists to tie a major-league record last accomplished by the 1935 Brooklyn Dodgers.

Rangers 11, Twins 2: In Arlington, Texas, Larry Parrish drove in four runs in leading a 17-hit attack that buried Minnesota.

Padres 1, Giants 0: In the National League, in San Francisco, LaMarr Hoyt scattered five hits and San Diego teammate Tony Gwynn drove in the game's only run with a bloop single in the fifth. It was the fifth time in their last 10 games that the Giants had been shut out.

Cardinals 2, Cubs 0: In Chicago, Danny Cox struck out seven and walked four in pitching his fifth complete game this year as St. Louis handed the Cubs their fourth straight loss. Previously this season, Chicago had not lost more than two in a row.

Dodgers 3, Astros 0: In Houston, Orel Hershiser pitched a three-hitter for Los Angeles and Pedro Guerrero hit his third homer in the last two games. Using 94 pitches, Hershiser got his seventh shutout in only his 33rd major-league start. The Dodgers have won four of six games on their current road trip, hitting 13 homers.

Phillies 13, Pirates 3: In Pitts-

burgh, John Denny struck out a career-high 13 batters and Glenn Wilson drove in four runs for Philadelphia.

Expos 3, Mets 2: In Montreal, Hubie Brooks singled in Andre Dawson with two outs in the ninth to beat New York. Dawson doubled off starter and loser Sid Fernandez with two outs, and Brooks, a former Met, singled over left fielder George Foster's head.

Braves 7, Reds 0: In Atlanta, Terry Harper's three-run homer, during a five-run third, backed the four-hit pitching of Steve Bedrosian and Jeff Dedmon. Cincinnati's Pete Rose went 0-for-3 and still needs 48 hits to break Ty Cobb's record of 4,191.

(AP, UPI)

Yanks' Martin Tape Measures His Interviewers

The Associated Press

NEW YORK — New York Yankee Manager Billy Martin, claiming he's being misquoted, has started taping his interviews with the media. "This way I can sue if I'm not quoted accurately," Martin said following his club's 10-8 loss to the Detroit Tigers here Saturday. The Yankees have dropped four straight.

During an off-day workout Thursday, Martin reportedly criticized General Manager Clyde King and the former manager, Yogi Berra, for their alleged mishandling of spring training. He has since said that he "never said those things."

On Saturday, Martin placed a switched-on tape recorder on his desk after the game. Said he of the tapes: "Maybe I'll sell them to a newspaper one day for a million dollars."



Pinklon Thomas charged up for his eighth-round knockout, by decking his WBC challenger, Mike Weaver, in the first.

Thomas Retains Crown On 8th-Round Knockout

Compiled by Our Staff From Dispatches

LAS VEGAS — Pinklon Thomas, displaying a right-handed complement to his fine left jab, scored a one-punch knockout of Mike Weaver at 1 minute 42 seconds of the eighth round Saturday night to retain the World Boxing Council title and establish himself as the finest heavyweight champion this side of Larry Holmes.

Thomas, who has battled back from heroin addiction, broken hands and an eye injury, weathered some rough spots in the scheduled 12-round bout before landing a booming right that settled matters.

Both men had missed with numerous jabs and seemed to be looking for the big punch in the eighth when Thomas suddenly came up with it. As Weaver moved forward, Thomas caught him flush with a overhand right to the left temple. Weaver was felled instantly.

Weaver was hurt so badly that after the bout he insisted the punch, which he admitted he had not seen, had landed on his chin. "I still feel it, too," said Weaver, rubbing his chin.

But the punch, set up by a short jab, clearly landed high. Weaver went over on his back. He rose on his heels as Referee Carlos Padilla's count reached 9, then toppled over backward again.

"My head was clear," Weaver said. "But when I said, 'Get up,' my legs said, 'Stay here.'"

The sudden ending ruined Weaver's dream of becoming only the third man to win at least a share of a heavyweight title more than once (he is a former World Boxing Association champion). Floyd Patterson did it twice, and Muhammad Ali did it three times.

"I was more concerned with my left jab," said Weaver, a distant cousin of Thomas's wife, Kathy. "I didn't know about the right hand."

Don't nobody tell me he got no right hand."

"I've always had a good right hand," said Thomas, who had been criticized by some as a one-handed fighter. "It's just never been exposed."

The undefeated Thomas, who won his title from Tim Wither- spoon last Aug. 31, showed great courage after taking Weaver's best shots in the third, fourth and fifth rounds.

The 27-year-old champion had floored Weaver for a 4-count in the opening round, but Weaver came roaring back in the third and was even on two of the three official cards after seven rounds and a point behind on the other.

But it was perhaps while the 33-year-old Weaver was having his finest moments that Thomas, who has never been off his feet, was winning the fight. Weaver appeared to get discouraged that his best punches were having little effect.

"Pinklon Thomas fights back when he gets hurt," said Weaver. "That's the mark of a great champion. I hit the guy with two, three shots, and he'd throw four, five."

The victory in his first title defense kept Thomas unbeaten with a 26-0-1 record with 21 knockouts. The draw came in a 10-rounder against Gerrie Coetzee on Jan. 22, 1983.

Afterward, Thomas said he would "bury the hatchet" and stop calling Holmes a mouse. Holmes, the 35-year-old International Boxing Federation champion who signed here Saturday to fight Michael Spinks, the undisputed light-heavyweight champion in September, has declared he will no longer meet top heavyweights.

"If Larry don't want to fight me, that's fine," said Thomas. "But I think I proved to the world who the real champion is." (NYT, AP)

SPORTS BRIEFS

Alboreto Takes Canadian Grand Prix

MONTREAL (AP) — Michele Alboreto of Italy drove to victory Sunday in the Canadian Grand Prix, taking the lead in the Formula 1 point standings.

Alboreto, posting his fourth career victory, beat Ferrari teammate Stefan Johansson of Sweden to the finish line by 1.957 seconds.

The 28-year-old Alboreto, who started third on the 25-car grid, moved past the Lotus of pole-sitter Elio de Angelis of Italy and into the lead on the 16th lap around the 2.74-mile (2.3-kilometer) Gilles Villeneuve Circuit. He stayed there for the rest of the 70-lap, 191.80-mile event.

Alboreto earned nine points for the victory, boosting him into the points lead after five races with 27 points. De Angelis, who finished fifth Sunday, is tied for second at 22 with Frenchman Alain Prost, who drove his McLaren-TAG to a third here.

Ludwig's Porsche Wins 2d Le Mans

LE MANS, France (AP) — Klaus Ludwig and John Winter of West Germany and Paolo Barilla of Italy, driving a private Reinhold Joest Racing Porsche 956, dominated the factory teams to win the 53d Le Mans 24-hour auto race Sunday.

Ludwig won last year in the same car. It was his third victory overall, the first for his teammates. Despite new fuel restrictions and 30 minutes under yellow flags for accidents, they set a distance record of 3,153 miles (5,074 kilometers).

Second was the British-crewed Porsche 956 of Jonathan Palmer, James Weaver and car owner Richard Lloyd, 25.4 miles behind. The factory-run Porsche of Briton Derek Bell and West German Hans Stuck finished third, 33.8 miles farther back.

Guokas Hired as Coach of NBA 76ers

PHILADELPHIA (AP) — Matt Guokas signed a multiyear contract Friday to become coach of the National Basketball Association's Philadelphia 76ers, a team he served for 3½ years as assistant coach.

The team's general manager, Pat Williams, announced the appointment at a news conference ending two weeks of speculation on a successor to Billy Cunningham, who resigned May 28 after eight seasons and one NBA championship.

Guokas, 41, whose father, Matt Sr., was a member of the 1946-47 NBA champion Philadelphia Warriors, spent 10 seasons in the league as a player, broadcaster and coaching assistant. He reportedly will earn \$300,000 a year; the team's owner, Harold Katz, said the contract is for at least two years.

For the Record

Mom's Command took an early lead for a 5½-length victory over Le L'Argent in Saturday's Mother Goose Stakes for 3-year-old fillies at Elmont, New York. Mom's Command now has won two-thirds of the New York Racing Association's Billy Triple Crown, with the Coaching Club American Oaks coming up July 6.

Ivan Lendl, Miloslav Mecir, Thomas Smid and Libor Pimek have been chosen to represent Czechoslovakia in the Davis Cup quarterfinals in Ecuador on Aug. 2-4, the state-run news agency, CTK, reported. Pavel Slozil and Marian Vajda were picked as reserves.

Cards Edge Cubs, 11-10; Andujar First to Win 12

Compiled by Our Staff From Dispatches

CHICAGO — Joaquin Andujar, becoming the first 12-game winner in the major leagues, doubled in two runs and Andy Van Slyke hit a three-run homer Friday as the St. Louis Cardinals beat the Chicago Cubs, 11-10.

The Cubs got 15 hits, but they also made five errors that led to

FRIDAY BASEBALL

three unearned Cardinal runs, including the decisive one in the ninth inning.

"We didn't play well," said the Cubs' manager, Jim Frey. "We didn't catch the ball, and we made mistakes defensively. We gave them too many at bats."

Jody Davis drove in five runs for Chicago with two two-run doubles and a ground out.

Andujar, 12-1, won his eighth straight game. But the right-hander was lifted with one out in the sixth inning when he apparently injured his right shoulder. He gave up four runs, three earned, on seven hits.

Jeff Labat took over to start the seventh and gave up two runs in the ninth when pinch-hitter Richie Hebner singled with two outs and Dave Lopes homered. Ryne Sandberg doubled, chasing Labat, and Bob Forsch relieved, getting Keith Moreland on a fly ball to right field that Van Slyke grabbed with a sliding catch in foul territory.

The Cardinals had scored four runs in the seventh, taking a 10-4 lead on a single by Vince Coleman, a walk, a run-scoring single by Jack Clark and Van Slyke's homer.

The Cubs came back with three in their half of the seventh, keyed by a two-run double by Davis. Ron Cey singled in another run in the eighth to close Chicago to 10-8, but the Cardinals added a run in the ninth on two walks and a wild pick-off throw by reliever George Franz.

"The pickoff play in the ninth was ill-timed, but if you picked the guy off it would have been a heck-a play," said Frey. "As it turned out, it was the big run."

Andujar refused to talk to reporters after the game but his pitching coach, Mike Roark, said, "He never got loose from the very start."

"He was struggling all the way. We almost pinch hit for him in the sixth inning. No, he won't lose a turn."

Expos 5, Mets 4: In Montreal, Vance Law and Dan Driessen singled in runs in the ninth to beat New York. Mets starter Dwight Gooden allowed six hits and struck out 11 through eight innings, but was relieved by Doug Sisk to start the ninth. Sisk immediately got into trouble by walking Tim Lincecum and Tim Lincecum, Calvin Schiraldi took over, and Law singled to left to drive home the tying run.

After Andre Dawson hit into a double play, Jesse Orosco relieved and Driessen drove a 3-2 pitch into center for the game-winner.

Pirates 3, Phillies 2: In Pittsburgh, Bill Madlock's bases-loaded single in the seventh supported Jose DeLeon's 11-strikeout pitching against Philadelphia.

Braves 6, Reds 4: In Atlanta, Ken Oberkell scored from first on an eighth-inning throwing error by Cincinnati's Nick Esasky and Bob Horner followed with a two-run homer.

Dodgers 10, Astros 2: In Houston, Jerry Reuss scattered eight hits and drove in three runs, including the eventual game-winner, and Pedro Guerrero hit two homers for Los Angeles.

Giants 5, Padres 4: In San Francisco, David Green's one-out homer in the 11th beat San Diego. The Padres' starter Andy Hawkins was looking for his 12th victory without a loss and entered the bottom of the ninth with a 4-3 lead. But he left the game after yielding a leadoff single to Bob Brenly, and the Giants tied the score off Goose Gosage.

Orioles 9, Brewers 3: In the American League, in Baltimore, Storm Davis survived a rough start to pitch a four-hitter against Milwaukee. Davis gave up two hits and four walks in the first inning, then held the Brewers hitless until Rick Manning broke the string in the seventh.

Red Sox 4, Blue Jays 1: In Boston, Dennis Boyd scattered 11 hits in posting his league-leading ninth complete game and Mike Easler drove in two runs against Toronto.

Indians 6, A's 1: In Cleveland, Bert Blyleven pitched a five-hitter for his 20th victory in the majors and Brock Jacoby drove in three runs to help beat Oakland.

Tigers 4, Yankees 0: In New York, Detroit won with the help of bases-empty solo homers from Tom Brookins, Barbaro Garbey,



Cardinal third baseman Terry Pendleton was left high and dry on a second-inning overthrow Friday from right fielder Andy Van Slyke (Chicago baserunner Gary Woods got up and scored on the play). St. Louis went on to win, 11-10, but Pendleton pulled a hamstring in the fifth inning and will be sidelined for what team doctors see as "an extended period."

Kirk Gibson and Larry Herndon. Walt Terrell and Willie Hernandez held the Yankees to five hits.

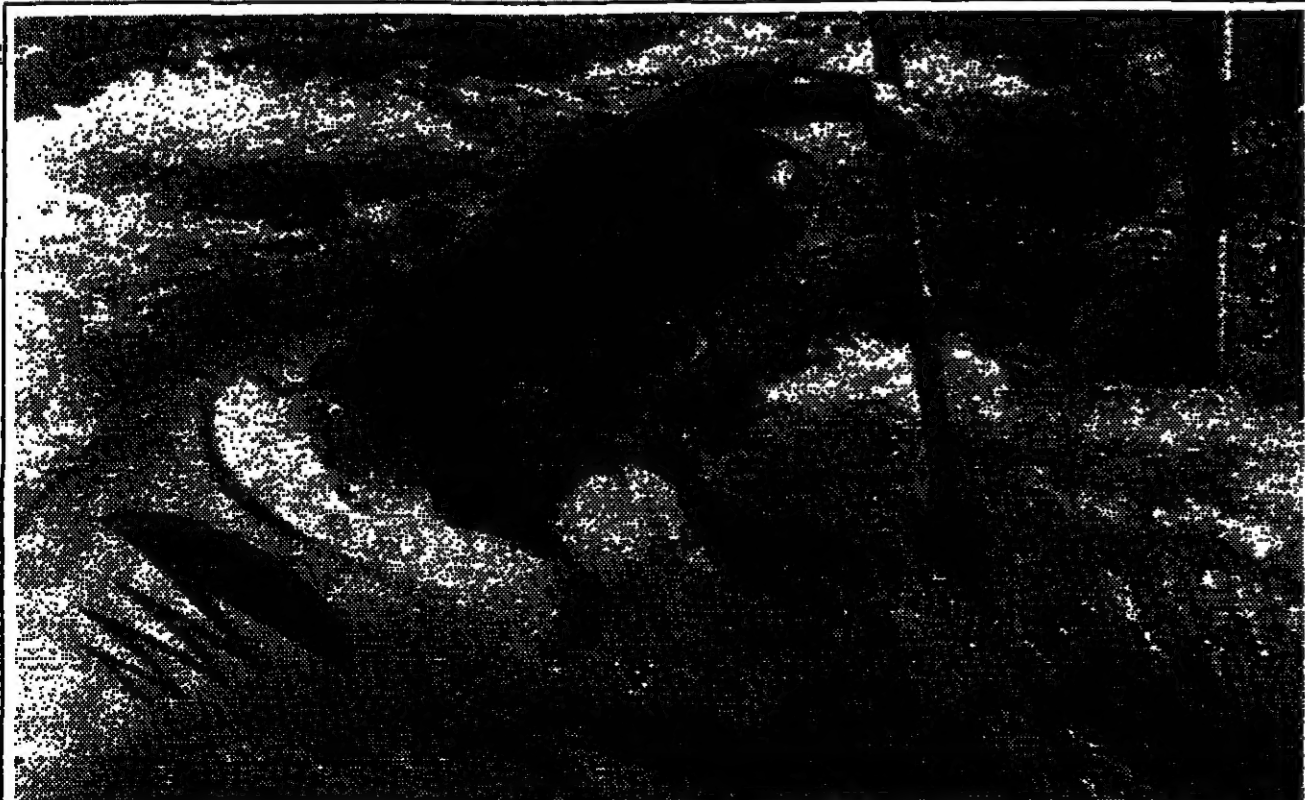
Rangers 4, Twins 2: In Arlington, Texas, Toby Harrah and Larry Parrish homered to help defeat Minnesota.

White Sox 4, Angels 2: In Anaheim, California, Tom Seaver al-

lowed only two hits the first seven innings to post his 295th victory in the majors.

Mariners 13, Royals 5: In Seattle, Gorman Thomas, Alvin Davis and Bob Kearney homered to pace a 15-hit attack that beat Kansas City and ended the Mariners' four-game losing streak.

(AP, UPI)



ROUGH GOING — Marie-Françoise Grange of France almost capsized as she passed a gate at the 1985 World Whitewater Canoe and Kayak Slalom Championships, held during the weekend in Augsburg, West Germany. Grange finished second to Margit Messelhauser of Augsburg in the women's single kayak final. Dave Hearn, runner-up to Jon Luggbill for three years, finally edged his U.S. teammate in men's single canoe; West Germans Thomas Klein-Impelamann and Stephan Kueppers won in men's double canoe, and Briton Richard Fox took his third straight men's single kayak title.

The Associated Press

